

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)
)
 of)
) Docket No. 2009-0048
 MOLOKAI PUBLIC UTILITIES, INC.)
)
 For review and approval of rate)
 increases; revised rate schedules; and)
 revised rules:)
)

MOLOKAI PUBLIC UTILITIES, INC.'S AMENDED APPLICATION

EXHIBITS MPU 1 THROUGH MPU 11

EXHIBIT MPU-T-100

ATTACHMENT 1

VERIFICATION

and

CERTIFICATE OF SERVICE

PUBLIC UTILITIES
COMMISSION

2009 JUN 29 P 4: 15

FILED

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MOLOKAI PUBLIC UTILITIES, INC.

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AMENDED APPLICATION

MOLOKAI PUBLIC UTILITIES, INC., a Hawaii corporation ("MPU" or "Applicant"), pursuant to Hawaii Revised Statutes ("HRS") § 269-16, as amended, Hawaii Administrative Rules ("HAR") Title 6, Chapter 61, Ordering Paragraph 8 (Part III, subpart 8) of the Hawaii Public Utilities Commission's ("Commission") Order Approving Temporary Rate Relief for MPU and Wai'ola O Moloka'i, Inc. ("Wai'ola"), issued in Docket No. 2008-0115 on August 14, 2008 ("Temporary Rate Order"), and Ordering Paragraph 3 (Part III, subpart 3) of the Order Denying MPU's Request to Submit its Unaudited Financial Statement in Lieu of Audited Financial Statements, issued in the above docket on April 2, 2009 ("April 2, 2009 Order"), hereby submits this Amended Application ("Amended Application") requesting that the Commission:

1. Determine this Amended Application to be complete, pursuant to HRS § 269-16(f), as amended, and HAR § 6-61-88;

2. Conduct a public hearing on the island of Molokai to consider this Amended Application in accordance with HRS § 269-12, HRS § 269-16, and HAR § 6-61-30;

3. Find that Applicant's present rates and charges for its water customers are unjust and unreasonable and will not allow Applicant to recover all of its reasonably incurred expenses nor allow Applicant to earn a return on its prudently incurred investments in utility property;

4. Approve, pursuant to HRS § 269-16, the proposed increase in Applicant's rates and charges as set forth in Exhibit MPU 5, and authorize Applicant to put into effect the proposed rates and charges after the date of authorization by the Commission;

5. Conduct this proceeding via the expedited 6-month process for review of small public utilities, pursuant to HRS § 269-16(f), as amended, and complete its deliberations and issue a proposed decision and order within six (6) months following the filing of a completed application, pursuant to HRS § 269-16(f)(3), as amended;

6. Approve the establishment of an Automatic Power Cost Adjustment Clause as proposed by Applicant in this proceeding;

7. Approve the establishment of a Purchased Fuel Adjustment Clause as proposed by Applicant in this proceeding;

8. Approve the proposed amendment to Rule XX of Applicant's Rules and Regulations (hereinafter referred to collectively as either "Tariff" or "Rules and Regulations") to increase its reconnection fee to \$150.00; and

9. Grant such other relief as may be just and reasonable under the circumstances.

In support of this Amended Application, Applicant provides the following information:

I.

COMMUNICATIONS REGARDING THIS AMENDED APPLICATION

All pleadings, correspondence and communications regarding this Amended Application should be addressed as follows:

MR. PETER A. NICHOLAS
Molokai Public Utilities, Inc.
c/o Molokai Properties Limited
119 Merchant Street, Suite 408
Honolulu, Hawaii 96813

Copies of all pleadings, correspondence and communications regarding this Amended Application should also be sent to Applicant's counsel as follows:

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II.

DESCRIPTION AND BACKGROUND OF APPLICANT

MPU is a Hawaii corporation whose business address is 119 Merchant Street, Suite 408, Honolulu, Hawaii 96813.¹ MPU is a public utility authorized to provide water

¹ MPU is one of three affiliated entities under common ownership by Molokai Properties Limited ("MPL"). The other two entities are Wai'ola and MOSCO, Inc. ("Mosco"). MPU, Wai'ola, and Mosco are hereinafter sometimes collectively referred to as the "Utilities."

service in the Kaluakoi area on the west end of the island of Molokai since 1981, when it received its Certification of Public Convenience and Necessity from the Commission pursuant to Decision and Order No. 6384, filed on October 29, 1981, in Docket No. 4112. MPU currently provides potable and non-potable water service to the Kaluakoi Resort, Ke Nani Kai and Paniolo Hale Condominiums, Kaluakoi Villas, Papohaku Ranchlands, Moana Makani subdivisions, and Maui County parks. Additional information relating to Applicant's water utility service is further described in the testimony of Applicant's consultant, Mr. Robert L. O'Brien. See Exhibit MPU-T-100; see also Exhibit MPU 1.

Applicant provides service to its customers at current base rates, other than its water consumption rate, approved by the Commission pursuant to Decision and Order No. 20342, issued on July 18, 2003, in Docket No. 02-0371. Applicant's current water consumption rate was approved by the Commission as a temporary rate effective as of September 1, 2008, pursuant to the Temporary Rate Order, issued on August 14, 2008, in Docket No. 2008-0115.²

² When MPL announced in March 2008 that it would cease all current business operations on Molokai, it informed the Commission that MPL would no longer be able to subsidize MPU and Wai'ola, both of which had incurred substantial losses in 2007. Although the Utilities had hoped that a third party would be interested in taking over the Utilities, none was immediately forthcoming. To address the Utilities' financial inability to continue utility services, the Commission initiated, sua sponte, a proceeding to provide temporary rate relief to the Utilities. See Order Instituting a Proceeding to Provide Temporary Rate Relief to Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc., and MOSCO, Inc., issued June 16, 2008 in Docket No. 2008-0115.

As a result of the proceeding, the Commission issued the Temporary Rate Order, which, among other things, approved temporary rate increases for MPU and Wai'ola's water consumption charges. Pursuant to Ordering Paragraph 1 (Part III, subpart I) of the Temporary Rate Order, the Commission approved a temporary rate increase for MPU from \$3.18 per 1,000 gallons to \$6.04 per 1,000 gallons. Further, the Commission ordered that the temporary rate increases be effective from September 1, 2008 for a period of six months, terminating on February 28, 2009. See Temporary Rate Order at 19. Within this six-month period, the Commission anticipated that either a third-party would be found to take over the Utilities' systems or that the Utilities would file an application(s) for a general rate increase. See id. at 20. To date, a third-party successor to the Utilities' systems has not been found.

On October 29, 2008, the Utilities jointly filed a Motion to Extend Order Approving Temporary Rate Relief ("Motion") in Docket No. 2008-0115, requesting that the temporary rate increases for MPU and

III.

PROCEDURAL BACKGROUND

On March 2, 2009, Applicant filed its initial application ("Original Application") in this docket seeking the same requests for relief from the Commission as set forth in this Amended Application (with the exception of the request for waiver of the audited financial statement requirement filed in the Original Application).³

Pursuant to the April 2, 2009 Order, the Commission denied MPU's request to submit its unaudited financial statements in lieu of the audited financial statements required by HAR § 6-61-75(b), and dismissed MPU's Original Application, without prejudice, as incomplete.⁴ The Commission found that, "[u]nder the circumstances . . . completion and submission of audited financial statements is just, reasonable, and consistent with the public interest and the underlying intent of HAR § 6-61-75(b).⁵ Accordingly, the Commission denied the Original Application, without prejudice, as

Wai'ola be extended from February 28, 2009 for an additional six months, or such time as may be necessary for the Utilities to obtain Commission approval of general rate increase application(s). The Commission granted the Utilities' Motion on February 24, 2009, and in Ordering Paragraph 2 (Part III, subpart 2) ordered that "the temporary rates approved in the Temporary Rate Order shall be extended until August 2009, or until the [C]ommission rules on the general rate case applications to be filed by the Utilities." Order Approving Extension at 7.

³ Pursuant to Ordering Paragraph 8 (Part III, subpart 8) of the Temporary Rate Order, the Commission directed MPU and Wai'ola to file an application or applications for a general rate increase within six months of the date of the Temporary Rate Order, if a third party is not found to take over the Utilities (as that term is defined in the Temporary Rate Order and supra in footnote 1). Because the Temporary Rate Order was dated August 14, 2008, the six-month period ended on February 17, 2009. On February 12, 2009, before expiration of the six-month period, MPU and Wai'ola jointly filed a letter with the Commission requesting an extension of the February 17, 2009 deadline to March 2, 2009. By its Order Approving Extension of Temporary Rate Relief and Request for an Extension to File General Rate Case Applications ("Order Approving Extension"), filed February 28, 2009 in Docket No. 2008-0115, the Commission granted the joint request and approved an extension of the six-month period until March 2, 2009. Accordingly, Applicant's Original Application was timely filed.

⁴ See April 2, 2009 Order at 8, 10.

⁵ See id.

incomplete, and directed MPU to re-file an amended application supported by audited financial statements as soon as reasonably possible.⁶ In so ruling, the Commission ordered, pursuant to Ordering Paragraph 3 (Part III, subpart 3), that "[u]ntil the amended application is filed, MPU shall file monthly status reports that describe the status of its efforts to comply with the [C]ommission's requirement of completing and submitting audited financial statements. The first monthly status report shall be due on May 1, 2009, with subsequent reports due on the first business day of each month thereafter."⁷ Lastly, pursuant to Ordering Paragraph 4 (Part III, subpart 4), the Commission ordered that, "MPU's amended application, to be filed in this proceeding, shall reflect any proposed rate increases from its permanent rates approved by the [C]ommission in Docket No. 02-0371, MPU's last rate case proceeding."⁸

Accordingly, Applicant is submitting this Amended Application, which is supported by audited financial statements and all other requisite exhibits and schedules. This Amended Application hereby amends and supersedes the Original Application filed on March 2, 2009, in its entirety.

IV.

BACKGROUND AND DESCRIPTION OF RATE RELIEF REQUESTED

A. Rate Relief Requested

In accordance with HAR § 6-61-88(3), Applicant seeks the review and approval of the Commission for a July 1, 2009 through June 30, 2010 test year ("2009-2010 test

⁶ See id.

⁷ See id. Applicant filed monthly status reports, dated May 4, 2009 and June 1, 2009, describing the status of its efforts to comply with Commission's requirements.

⁸ See id.

year") net revenue increase of \$886,259. See Exhibit MPU 6 (line 7, column 2). This amounts to an approximate 201.50% increase from the pro forma revenue amount of \$439,838 at present rates for the 2009-2010 test year, as shown on Exhibit MPU 6 (line 38, column 2, and line 7, column 1, respectively) attached hereto and as further described in Mr. O'Brien's testimony. See MPU-T-100. If approved, the proposed revenue increase will provide Applicant with a 2.0% rate of return on its prudently installed plant and on its prudently incurred system improvements, as shown on Exhibit MPU 6 (line 33, column 1).⁹

B. Justification for Rate Relief Requested

Applicant's current rates do not now and will not in the foreseeable future produce sufficient revenues to allow it to recover its prudently incurred expenses and earn a return on its prudently incurred investments. At present rates, Applicant projects a 2009-2010 test year net operating loss of \$498,176 and a negative 50.01% rate of return on an average rate base of \$996,161. See Exhibits MPU 6 and MPU 9. The instant rate case is designed to eliminate these current ongoing losses and to allow Applicant to earn a small return on its prudently incurred investments for utility assets providing service to its customers. As described in Mr. O'Brien's testimony (Exhibit MPU-T-100), Applicant has based its revenue increase request on a rate of return of 2.0% in recognition of the impact of a fair return on its investment on its customers at

⁹ Based on the temporary rates authorized in the Temporary Rate Order, Applicant's proposed net revenue increase amounts to \$565,939, which is an approximate 74.6% increase from the pro forma revenue amount of \$758,958 at the temporary rate for the 2009-2010 test year, as shown on Exhibit MPU 11 (line 14, column 9). See also the testimony of Mr. O'Brien (Exhibit MPU-T-100 at pages 35 and 36) for a further discussion of the difference between the revenues resulting from the present permanent rates and the temporary rates.

this time. Moreover, to minimize the "rate shock" to customers from the proposed increase, Applicant is proposing a two stage phase-in of the new rates and charges.

As further described in Mr. O'Brien's testimony (Exhibit MPU-T-100), through this Amended Application, Applicant is seeking to: (1) increase its rates and charges for its water service; (2) establish an Automatic Power Cost Adjustment Clause ("APCAC"), which permits adjustment for electric costs during the year; (3) establish a Purchased Fuel Adjustment Clause ("PFAC") for the fuel component of its water costs; and (4) amend Rule XX of its Rules and Regulations to increase its reconnection charge.

V.

FILING AND NOTICE OF INTENT REQUIREMENTS

In In re Kaupulehu Water Company, Docket No. 05-0124, Order No. 21906 (July 1, 2005) ("Order No. 21906"), the Commission declared that "HRS § 269-16(f) and HAR § 6-61-88 apply to public utilities that have *annual* gross revenues of less than \$2 million, rather than on a public utility's *pro forma* or proposed revenues stated in its general rate case application." See Order No. 21906 at 9 (emphasis in original). In this Amended Application, MPU's audited financial statements (Exhibit MPU 2, Schedule 4) for the year ending December 31, 2008 set forth MPU's annual gross revenues for 2008, which is the most recent calendar year upon which to calculate MPU's annual gross revenues. MPU's audited financial statements indicate that MPU's annual gross revenues for the year ending December 31, 2008 was \$628,136 (Exhibit MPU 2, Schedule 4, page 3, line 1 column 1), which is approximately \$1.4 million below the \$2 million threshold set forth in HRS § 269-16(f), as amended, and HAR Chapter 61, Subchapter 8. Thus, the filing requirements of HAR § 6-61-88 (i.e., utilities with annual

gross revenues of less than \$2 million) apply to this Amended Application, and no notice of intent is required to be filed, pursuant to HAR § 6-61-85(a).

VI.

PRESENT AND PROPOSED RATES AND CHARGES

As more fully described in Exhibits MPU 4, MPU 5, and MPU 6 of this Amended Application, if Applicant's request for a rate increase is approved, the following rates and charges would increase as follows and would generate an additional \$886,259 in annual revenues, pro forma for the test year ended June 30, 2010. In recognition that the proposed increases in these rates and charges could result in "rate shock" to certain classes of customers, Applicant proposes a two stage phase-in of the proposed increases to its rates and charges to mitigate or reduce any potential "rate shock" to its customers.

Pursuant to HAR § 6-61-88, the following is a comparison of the present rates and charges to Applicant's customers, and the proposed rates and charges to be applied as part of the two stage phase-in implementation process:

USER CHARGES:

	Present Rate/ Charge	Temporary Rate/ Charge*	Phase I Proposed Rate/ Charge	Phase II Proposed Rate/ Charge	Total Percent Increase Over Present Rates
1. Deposit prior to commencement of services	\$ 50.00	\$ 50.00	\$ 100.00	\$ 100.00	100%
2. Water Consumption Charge per month per 1000 gallons	\$ 3.18	\$ 6.04	\$ 7.9996	\$ 9.6061	202.2%
3. Standby charge per month (per installed meter)					
5/8" or 3/4"	\$ 11.25	\$ 11.25	\$ 28.00	\$ 34.00	202.2%
1"	\$ 15.00	\$ 15.00	\$ 38.00	\$ 45.00	202.2%
1-1/2"	\$ 22.50	\$ 22.50	\$ 57.00	\$ 68.00	202.2%
2"	\$ 37.50	\$ 37.50	\$ 94.00	\$ 113.00	202.2%
3"	\$ 75.00	\$ 75.00	\$ 188.00	\$ 226.00	202.2%
4"	\$ 112.50	\$ 112.50	\$ 282.00	\$ 340.00	202.2%
6"	\$ 225.00	\$ 225.00	\$ 565.00	\$ 678.00	202.2%
8"	\$ 375.00	\$ 375.00	\$ 942.00	\$ 1,131.00	202.2%
4. Private fire protection rates per month:					
Per Hydrant	\$ 5.25	\$ 5.25	\$ 7.95	\$ 10.61	202.2%
Per Standpipe	\$ 3.00	\$ 3.00	\$ 4.54	\$ 6.06	202.2%
Others: Per in diameter of feed main	\$ 3.75	\$ 3.75	\$ 5.68	\$ 7.58	202.2%
5. Monthly water availability charge to each owner of each lot at which a service connection is possible but has not been applied for	\$ 3.00	\$ 3.00	\$ 4.54	\$ 6.06	202.2%
6. Contribution for tap-in					
5/8" or 3/4"	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	0%
1"	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	0%
1-1/2"	\$ 525.00	\$ 525.00	\$ 525.00	\$ 525.00	0%
2"	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00	0%
3"	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	0%
4"	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	0%
6"	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00	0%
8"	\$ 6,750.00	\$ 6,750.00	\$ 6,750.00	\$ 6,750.00	0%
7. Reconnection Fee	\$ 75.00	\$ 75.00	\$ 150.00	\$ 150.00	100%
8. Inspection fee where user installs tap-in and meter	Actual Cost**	Actual Cost**	Actual Cost**	Actual Cost**	0%
9. Bulk Water Sales per month per 1000 gallons (Kualapuu Bulk Sale Contract)	\$ 1.125	\$ 1.125	\$ 2.8301	\$ 3.3984	202.2%
10. Temporary fire hydrant water use charge***					

* As discussed more fully in footnote 2, pursuant to the Temporary Rate Order and the Order Approving Extension, the consumption charge of \$3.18 per 1,000 gallons was temporarily increased to \$6.04 per 1,000 gallons.

** Not less than \$37.50.

*** For water taken on a temporary basis from a hydrant pursuant to the prior written permission of Applicant, the charge will be the highest consumption rate approved by the Commission in effect at the time of such use, plus, with regard to the need to meter the temporary water use, a meter charge equivalent to the monthly stand-by charge for the applicable meter size.

As noted above, Applicant is proposing a two stage phase-in implementation of the proposed increase of its rates and charges in order to mitigate or reduce the impact of the increased rates and charges on its customers. If approved by the Commission, Phase I is proposed to go into effect upon the issuance of the Commission's order approving the proposed increased rates and charges ("Phase I Effective Date"), and Phase II is proposed to go into effect six months after the Phase I Effective Date. This phase-in process delays the start of full revenue recovery by approximately six months for Applicant if the Commission approves the new, proposed revenue requirements requested by Applicant. Details of the proposed phased implementation noted above are also described and illustrated in Exhibit MPU 5 and MPU-T-100 of this Amended Application.

VII.

PROPOSED AUTOMATIC POWER COST ADJUSTMENT CLAUSE

Applicant also hereby requests that it be authorized to establish an Automatic Power Cost Adjustment Clause (APCAC) which will allow Applicant to increase or decrease the rates it charges for water service based on any corresponding increase or decrease in the electricity cost charged to Applicant by Maui Electric Company, Ltd., in relation to the base cost of electricity established in this proceeding. Electric expense, as part of revenue, has ranged from 17% to 41% during the years 2004 to 2008 making it a significant item of cost for the Applicant and one over which the Applicant has little control. The proposed APCAC formula is further described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 41-42) and is summarized as follows:

$$((\text{Current Month Electric Costs} / \text{Current Month total metered TG}) - \$1.0774) \times 1.068205 = \text{Rate per TG for each customer's current month bill}$$

TG = Thousand Gallons

Applicant notes that its proposed APCAC is consistent with other power cost adjustment clauses recently established by other small water and wastewater utilities and previously approved by the Commission. See, e.g., In re Kukio Utility Co., LLC, Docket No. 2007-0198, Decision and Order No. 24016, filed on February 6, 2008 (adopting Proposed Decision and Order No. 23975, filed on January 18, 2008); In re Laie Water Co., Inc., Docket No. 2006-0502, Decision and Order No. 23554, filed on July 20, 2007 (adopting Proposed Decision and Order No. 23522, filed on June 29, 2007); and In re Puhi Sewer & Water Co., Inc., Docket No. 2006-0423, Decision and Order No. 23412, filed on May 3, 2007 (adopting Proposed Decision and Order No. 23376, filed on April 20, 2007) ("In re Puhi"). Further, similar to prior Commission rulings in establishing power cost adjustment clauses for small water and wastewater utilities, Applicant contends that the requirements set forth under Act 162, 2006 Session Laws of Hawaii (as codified as HRS § 269-16(g)) relating to automatic fuel rate adjustment clauses are not applicable for purposes of obtaining Commission approval to establish an APCAC in this proceeding. See In re Puhi.

VIII.

PURCHASED FUEL ADJUSTMENT CLAUSE

Applicant further requests, as described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 26-29), that it be authorized to establish a Purchased Fuel Adjustment Clause (PFAC). A PFAC will permit Applicant to pass on to its customers changes in the fuel expenses incurred by Applicant to pump water from Well 17.

Applicant's fuel expense, an item over which Applicant has little control, has ranged from 34% to 61% as a percent of revenues during the years 2005 to 2008. The proposed PFAC formula is further described in the testimony of Mr. O'Brien (see Exhibit MPU-T-100, pages 26-29):

$$\frac{((\text{Current Month Fuel Costs} / \text{Current Month total metered TG}) - \$2.0473) \times 1.068205}{1} = \text{Rate per TG for each customer's current month bill}$$

TG = Thousand Gallons

Similar to the proposed APCAC above, the proposed PFAC is consistent with pass-through clauses for other power cost adjustment clauses recently established by other small water and wastewater utilities and previously approved by the Commission. See, e.g., In re Puhi. Moreover, the pass through-clauses for the electric companies in the State have provisions for the costs of the fuel and purchased energy used to produce kilowatt hours provided to customers, such as Applicant. Accordingly, Applicant contends that the proposed PFAC is consistent with and will provide the same functions currently enjoyed by electric utility companies in Hawaii, including Maui Electric Company, Ltd., Applicant's electricity provider.

IX.

PROPOSED TARIFF CHANGE

Finally, Applicant hereby requests that it be authorized to amend Rule XX of its Rules and Regulations to increase its reconnection fee to \$150.00 to account for higher costs, as well as the labor and effort incurred in reconnecting a customer's water service. The proposed amendment is further described in the testimony of Mr. O'Brien. See Exhibit MPU-T-100. A copy of the proposed amendment or replacement Tariff,

marked (or "black-lined") to show changes to the language of the existing tariff, is attached hereto as Attachment 1.

X.

FINANCIAL INFORMATION

In accordance with HAR §§ 6-61-86 and 6-61-88¹⁰ and consistent with the Commission's standard form application guidelines¹¹, Applicant hereby files and incorporates by reference the following exhibits:

Exhibit MPU 1	General Description of Applicant's Property, Plant and Equipment.
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Exhibit MPU 2	Financial Statements.
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Schedules

- (1) Stock Authorized and Outstanding.
- (2) Year-End Common Stock Outstanding (2004 - 2008).
- (3) Description of Security Agreements, Mortgages, and Deeds of Trust (None).
- (4) Audited Financial Statements (12 months ending December 31, 2008).
- (5) Unaudited Financial Statements (11 months ending May 31, 2009).
- (6) Description of Promissory Notes, Bonds and Other Indebtedness (None).

Exhibit MPU 3	Applicant's Plant and Accumulated Depreciation.
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Exhibit MPU 4	Present Rate Schedule.
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¹⁰ As previously discussed, because Applicant has annual gross revenues of less than \$2,000,000, the requirements set forth in HAR § 6-61-88 are applicable to this Application.

¹¹ See Commission's letter regarding "Form Application for Rate Increases by Small Utilities," dated October 29, 2007.

Exhibit MPU 5	Proposed Rate Schedule.
Exhibit MPU 6	Rate of Return Summary at Present and Proposed Rates Pro Forma for the Test Year Ended June 30, 2010.
	Exhibit MPU 6.1 Revenue Requirements Support.
Exhibit MPU 7	Income Tax Expense for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit MPU 8	Taxes Other Than Income Taxes for Test Year Ended June 30, 2010, Recorded at Present Rates and Pro Forma at Proposed Rates.
Exhibit MPU 9	Average Rate Base 2009-2010 Test Year.
	Exhibit MPU 9.1 Pro Forma Rate Base Support.
	Exhibit MPU 9.2 Plant In Service.
	Exhibit MPU 9.3 Accumulated Depreciation.
	Exhibit MPU 9.4 Depreciation Expense (Book).
	Exhibit MPU 9.5 Customer Deposits.
	Exhibit MPU 9.6 Accumulated Deferred Income Taxes.
	Exhibit MPU 9.7 Hawaii Capital Goods Excise Tax Credit (HCGETC).
	Exhibit MPU 9.8 Working Cash.
Exhibit MPU 10	Pro Forma Historical Summary.
	Exhibit MPU 10.1 Labor, Payroll Taxes & Benefits.
	Exhibit MPU 10.2 Fuel & Power Expense.
	Exhibit MPU 10.3 Rental/Service.
	Exhibit MPU 10.4 Cost of Sales.
	Exhibit MPU 10.5 Materials & Supplies.
	Exhibit MPU 10.6 Affiliated Charges.
	Exhibit MPU 10.7 Professional & Outside Services.
	Exhibit MPU 10.8 Repairs & Maintenance.
	Exhibit MPU 10.9 Insurance.
	Exhibit MPU 10.10 Regulatory Expense.
	Exhibit MPU 10.11 General & Administrative Expense.

Exhibit MPU 11 Pro Forma Revenue Summary.
Exhibit MPU 11.1 Customer Usage and Revenue
Summary.
Exhibit MPU 11.2 Customer Usage and Revenue.
Exhibit MPU 11.3 Customer Usage and Revenue.
Exhibit MPU 11.4 Revenue Phase In Rates.
Exhibit MPU-T-100 Testimony of Robert L. O'Brien.
Attachment 1 Proposed Revisions to Rules & Regulations.
Workpapers

XI.

CONCLUSION

WHEREFORE Applicant respectfully requests as follows:

1. That this Amended Application be deemed a completed application under HRS § 269-16(f) and HAR § 6-61-88;
2. That a public hearing be conducted on the island of Molokai to consider this Amended Application, all in accordance with HRS § 269-12, HRS § 269-16, and HAR § 6-61-30;
3. That the Commission find that Applicant's present rates and charges for its customers are unjust and unreasonable and will not allow Applicant to recover all of its reasonably incurred expenses nor allow Applicant to earn a return on its prudently incurred investments in utility property;
4. That the Commission approve, pursuant to HRS § 269-16, the proposed increase in Applicant's rates and charges as set forth above and in Exhibit MPU 5 of this Amended Application, and authorize Applicant to put into effect the proposed rates and charges after the date of authorization by the Commission;

5. That the Commission conduct this proceeding pursuant to HRS § 269-16 (f), as amended, and complete its deliberations and issue a proposed decision and order within six (6) months following the filing of a completed application;
6. That the Commission approve the establishment of the APCAC as proposed by Applicant in this proceeding;
7. That the Commission approve the establishment of the PFAC as proposed by Applicant in this proceeding;
8. That the Commission approve the proposed amendment to Rule XX of Applicant's Rules and Regulations to increase its reconnection fee; and
9. That the Commission grant such other and further relief, including any interim rate increase, as may be just and equitable.

DATED: Honolulu, Hawaii, June 29, 2009.



MICHAEL H. LAU
YVONNE Y. IZU
SANDRA L. WILHIDE

Morihara Lau & Fong LLP
Attorneys for Applicant
MOLOKAI PUBLIC UTILITIES, INC.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 1

PROPERTY, PLANT AND EQUIPMENT

(3 Pages)

Molokai Public Utilities, Inc.

Property, Plant and Equipment

Molokai Public Utilities, Inc. ("MPU" or "Company"), is a wholly owned subsidiary of Kaluakoi Water, LLC, which is a wholly owned subsidiary of Kaluakoi Land, LLC, which is a wholly owned subsidiary of Molokai Properties, Limited, a Hawaii corporation. The Company was incorporated in 1981 under the laws of the State of Hawaii and provides water utility services to commercial establishments, residential condominiums and single-family homes. The Company currently has approximately 220 active customers, measured by monthly meter charges.

System

As of December 31, 2008, the Company had approximately \$6.6 million dollars of gross utility plant, approximately \$5 million of which was fully depreciated. The plant consists of a production well, including a diesel engine for pumping, open and enclosed reservoirs, transmission and distribution mains, an electric pump station, a water treatment facility, meters, and other equipment necessary to deliver water to its customers.

The Company's water source is Well 17, which is operated using a gas-powered pump. The Well 17 water is delivered into an enclosed storage tank at the well site. Water from the well storage tank is provided to Wai'ola O Moloka'i ("WOM") customers through a metered connection at Kualapuu, between Well 17 and the delivery

to the Molokai Irrigation System ("MIS") storage and transportation system. The remaining water from the well storage tank is then delivered to MIS through a metered connection where it is mixed with MIS water in an open reservoir, for which MIS charges a monthly fee for use of its facilities and retains 10% of the water delivered to its system.

MIS delivers the water to a transmission main, which delivers the water to the Mahana pumping station through a metered connection. The water is then sent to the Puunana Water Reservoir where it is blended with the Mountain Water and delivered to the MPU Treatment facilities through a metered connection. The water is then treated and delivered through a Clear-Water holding facility to the Maunaloa Reservoir and then to MPU and WOM customers as follows:

1. Through the Maunaloa meter
 - a. WOM customers receive the treated water
 - b. MPU customers in Moana Makani also receive treated water
2. Through the Kaluakoi meter
 - a. MPU customers receive treated water

EQUIPMENT

Controls for Mahana Pumps	\$ 13,925
Solar System Puukole Tanks	29,121
Maintenance Equipment & Tools	7,285
Water Meters	2,621
Caterpillar Engine Model 3412E	87,221

WATER SYSTEM

Bypass Line for Moana Makani	\$ 65,000
HDPE Pipe for Papohaku Ranchlands	67,802
Papohaku Line Bypass	63,701
Mahana Pump Replacement	14,100
Meter Replacements	67,073
System Acquisition Costs	4,931,896
Puunana Treatment Plant Upgrade	1,012,378
Well 17 Repairwork	127,003

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 1

STOCK AUTHORIZED AND OUTSTANDING

(1 Page)

Molokai Public Utilities, Inc.

Stock Authorized and Outstanding

December 31, 2008

<u>Description</u>	<u># of Shares Authorized</u>	<u># of Shares Issued</u>	<u>PAR Value Per Share</u>	<u>Total PAR Value</u>
Preferred Stock	None	None	N/A	N/A
Common Stock	1,000	1,000	\$1.00	\$1,000

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 2

COMMON STOCK OUTSTANDING

(1 Page)

Molokai Public Utilities, Inc.

Common Stock Outstanding

Year End Common Stock Outstanding

<u>Year</u>	<u>Owner</u>	<u>Number of Shares Owned</u>
2004	Kaluakoi Water, LLC [a]	1,000
2005	Kaluakoi Water, LLC [a]	1,000
2006	Kaluakoi Water, LLC [a]	1,000
2007	Kaluakoi Water, LLC [a]	1,000
2008	Kaluakoi Water, LLC [a]	1,000

[a] MPU is a wholly owned subsidiary of Kaluakoi Water, LLC, which is a wholly owned subsidiary of Kaluakoi Land, LLC, which is a wholly owned subsidiary of Molokai Properties, Limited.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 3

SECURITY AGREEMENTS, MORTGAGES
AND DEEDS OF TRUST

(1 Page)

Molokai Public Utilities, Inc.

Security Agreements, Mortgages and Deeds of Trust

NONE

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 4

AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

(10 Pages)



MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Financial Statements

December 31, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
PO Box 4150
Honolulu, HI 96812-4150

Docket No. 2009-0048
Exhibit MPU 2, Schedule 4
Audited Financial Statements
Page 2 of 10

Independent Auditors' Report

The Board of Directors
Molokai Public Utilities, Inc.:

We have audited the accompanying balance sheet of Molokai Public Utilities, Inc. (the Company) as of December 31, 2008, and the related statements of operations, stockholder's deficiency, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Molokai Public Utilities, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 25, 2009

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Balance Sheet
December 31, 2008

Assets

Current assets:	
Cash	\$ 31,029
Accounts receivable	52,965
Total current assets	<u>83,994</u>
Plant, property, and equipment (note 3)	1,680,419
Less accumulated depreciation	<u>(546,154)</u>
Net property, plant, and equipment	<u>1,134,265</u>
Total assets	<u>\$ 1,218,259</u>

Liabilities and Stockholder's Deficiency

Current liability:	
Accounts payable and other	\$ 49,266
Customer deposits	10,961
Due to Molokai Properties Limited and affiliates (note 5)	<u>3,645,969</u>
Total liabilities	<u>3,706,196</u>
Stockholder's deficiency:	
Common stock, \$1 par value. Authorized, issued, and outstanding 1,000 shares	1,000
Additional paid-in capital	40,520
Accumulated deficit	<u>(2,529,457)</u>
Total stockholder's deficiency	<u>(2,487,937)</u>
Commitments and contingencies (notes 4, 5, 6, and 7)	
Total liabilities and stockholder's deficiency	<u>\$ 1,218,259</u>

See accompanying notes to financial statements.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Statement of Operations

Year ended December 31, 2008

Water sales (note 5)	\$ 628,136
Cost of sales – purchased water (note 5)	<u>214,640</u>
	<u>413,496</u>
Selling, general, and administrative expenses:	
Fuel	384,306
Electricity	207,143
Depreciation	141,140
Rent (note 4)	130,177
Salaries and wages	68,564
Professional fees	50,141
Allocated costs (note 5)	48,763
Taxes, other than income tax	28,762
Other	<u>35,129</u>
Total selling, general, and administrative expenses	<u>1,094,125</u>
Loss before income taxes	<u>(680,629)</u>
Income taxes (note 2)	<u>—</u>
Net loss	<u>\$ (680,629)</u>

See accompanying notes to financial statements.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)
Statement of Stockholder's Deficiency
Year ended December 31, 2008

	Common stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount			
Balance at December 31, 2007	1,000	\$ 1,000	40,520	(1,848,828)	(1,807,308)
Net loss	—	—	—	(680,629)	(680,629)
Balance at December 31, 2008	1,000	\$ 1,000	40,520	(2,529,457)	(2,487,937)

See accompanying notes to financial statements.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Statement of Cash Flows

Year ended December 31, 2008

Cash flows from operating activities:	
Net loss	\$ (680,629)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	141,140
Decrease (increase) in assets:	
Accounts receivable	(16,606)
Prepaid expenses	13,977
Increase (decrease) in liabilities:	
Accounts payable and other	(49,191)
Customer deposits	4,186
Net cash used in operating activities	(587,123)
Cash flows from investing activity:	
Purchases of property, plant, and equipment	(120)
Cash flows from financing activity:	
Due to Molokai Properties Limited and affiliates	609,979
Net increase in cash	22,736
Cash at beginning of year	8,293
Cash at end of year	\$ 31,029

See accompanying notes to financial statements.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Notes to Financial Statements

December 31, 2008

(1) Description of Business

Molokai Public Utilities, Inc. (the Company) incorporated on October 11, 1978 under the laws of the state of Hawaii, provides potable and nonpotable water service to the Kaluakoi Resort, Ke Nani Kai, and Paniolo Hale condominiums, Kaluakoi Villas, Papahaku Ranchlands, Moana Makai subdivisions, and Maui County parks on the island of Molokai, Hawaii and is regulated by the Public Utilities Commission of the state of Hawaii (PUC). The Company is a wholly owned subsidiary Kaluakoi Water LLC. Molokai Properties Limited (MPL) is the ultimate parent company of Kaluakoi Water LLC.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the valuation allowances for accounts receivable and the carrying amount of property, plant, and equipment. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

(b) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statement of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial conditions, current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(c) Revenue Recognition

Revenues are based upon rates authorized by the PUC and is recognized as services are rendered.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation. Depreciation of the property, plant, and equipment was calculated on the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years.

(e) Income Taxes

The taxable loss of the Company is included in the consolidated federal and state income tax returns of its parent company. The Company recorded no income tax expense in 2008. The tax effect of net operating loss carryforwards are offset by a valuation allowance as it is management's opinion that these net operating loss carryforwards are not more likely than not to be realized.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Notes to Financial Statements

December 31, 2008

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

(f) Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(3) Property, Plant, and Equipment

Property, plant, and equipment represents the cost of assets utilized for delivery of water to the Company's customers. At December 31, 2008, property, plant, and equipment include the following:

Land	\$	12,611
Treatment plant		1,012,378
Reservoir		324,804
Pipes		196,502
Water meters		69,694
Other		64,430
		<hr/>
		1,680,419
Less accumulated depreciation		(546,154)
		<hr/>
	\$	<u>1,134,265</u>

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Notes to Financial Statements

December 31, 2008

(4) Molokai Irrigation System

The Molokai Irrigation System (MIS) transports water via a 10-mile transmission link to an open reservoir at Kualapuu, where it is stored prior to entering a distribution network to certain areas on the island of Molokai, Hawaii. The MIS is administered by the state of Hawaii Department of Agriculture (DOA). Kaluakoi Water LLC has paid fees to rent "space" in the MIS from the DOA to facilitate the transport of water to the Company's customers. In 2008, the Company paid to the DOA \$130,177 for MIS usage. As there currently is no alternative means of transporting water to these customers, management expects to utilize the MIS through this informal agreement with the DOA, until an alternative transmission method is in place or a formal agreement is executed.

(5) Related-Party Transactions

As of December 31, 2008, due to MPL and affiliates amounted to \$3,645,969. The liability is non-interest bearing and has no specified due date.

In 2008, the Company recorded water sales of \$166,273 to affiliated entities.

In 2008, MPL charged the Company \$214,640 for water which is included in cost of sales in the accompanying statement of operations.

In 2008, the Company was also charged allocated expenses from MPL for various costs incurred by MPL on behalf of the Company, as follows:

Salaries and wages	\$	15,939
Fuel		7,558
Other		25,266
Total	\$	<u>48,763</u>

(6) Liquidity

The Company has a rate case application filed with the PUC seeking the approval of the PUC for an increase in the present rates charged to provide for a 2% rate of return on its system improvements. The justification for the rate relief as requested was that the current rates do not and will not provide sufficient revenues to allow for recovery of incurred expenses, which is evidenced by the 2008 loss and accumulated deficit as of December 31, 2008. Management believes that the proposed rate increase, if approved will provide the Company with a rate of return sufficient to meet its annual cash flow obligations. Furthermore, management will apply for future rate increases with the PUC as deemed necessary and appropriate to ensure the future financial viability of the Company, until that time MPL will provide financial support, as needed.

(7) Contingencies

In June 2008, the County of Maui had filed a formal complaint with the PUC to compel the PUC to require that the Company submit a plan for the continued operation of the water utility beyond August 2008 and to investigate the Company's operations, revenues, assets, practices, and services.

MOLOKAI PUBLIC UTILITIES, INC.
(A Wholly Owned Subsidiary of Kaluakoi Water LLC)

Notes to Financial Statements

December 31, 2008

In July 2008, the state of Hawaii Department of Health, initiated a proceeding which essentially ordered the Company to continue its water operations or face fines for failure to do so. In response, the Company has indicated that it would continue operations as long as it is financially capable.

In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity, as it is the intent of the Company and MPL to continue operating the water utility as legally required.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 5

UNAUDITED FINANCIAL STATEMENTS
ELEVEN MONTHS ENDED MAY 31, 2008

(2 Pages)

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010
Unaudited Financial Statement
Eleven Months Ended May 31, 2009

BALANCE SHEET

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
ASSETS					
<u>CURRENT ASSETS</u>					
1	Cash			\$ 35,121	
2	Accounts Receivable			67,562	
3	Other				
4	TOTAL CURRENT ASSETS				\$ 102,683
5					
<u>PROPERTY, PLANT & EQUIPMENT</u>					
6	Plant in Service			6,627,267	
7	Construction Work in Progress				
8	Accumulated Depreciation			(5,536,739)	
9	NET PLANT				1,090,528
<u>OTHER ASSETS</u>					
10	Due From Affiliates				
11	Other				
12	TOTAL OTHER ASSETS				-
13					
14	TOTAL ASSETS				\$ 1,193,211
LIABILITIES AND EQUITY					
<u>CURRENT LIABILITIES</u>					
15	Accounts Payable & Accruals			\$ 24,748	
16	Accrued Taxes			12,530	
17	Customer Deposits			18,102	
18	Other				
19	TOTAL LIABILITIES				\$ 55,380
20	Due To Affiliates			3,729,731	
21					
22	Net CIAC				3,729,731
23	Due to Shareholder				
<u>STOCKHOLDER'S EQUITY</u>					
24	Common Stock		\$ -		
25	Additional Paid-in-Capital		40,520		
26	TOTAL STOCK AND PAID-IN-CAPITAL			40,520	
27	Retained Earnings (Deficit) Beginning of Year		(2,160,744)		
28	Current Year Earnings (Deficit)		(471,676)		
29	Retained Earnings (Deficit) To Date			(2,632,420)	
30	TOTAL STOCKHOLDER'S EQUITY				(2,591,900)
31	TOTAL LIABILITIES AND EQUITY				\$ 1,193,211

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010
Unaudited Financial Statement
Eleven Months Ended May 31, 2009

INCOME STATEMENT

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
<u>REVENUES</u>					
1					
2	Revenue			\$ 610,333	
3					
4					
5	Late Fees			1,154	
6					
7	Other				
8	TOTAL REGULATED REVENUES				\$ 611,487
<u>OPERATING EXPENSES</u>					
9	Cost of Service			108,557	
10	Salaries & Wages			86,703	
11	Employee Benefits			21,133	
12	Payroll Taxes			7,285	
13	Electricity			179,228	
14	Fuel			213,939	
15	MIS Rental Charges			131,681	
16	Rents			4,730	
17	Repairs & Maintenance			18,561	
18	Materials & Supplies			19,642	
19	Legal			61,967	
20	Professional Services			42,231	
21	Insurance			5,113	
22	Administrative Expense			6,842	
23	Miscellaneous Expense			19	
24	O & M Expense			907,631	
25	Depreciation Expense			133,893	
26	Taxes Other Than Income Taxes			41,639	
27	TOTAL OPERATING EXPENSES				(1,083,163)
28	Other (Expense) Income				
29	Interest Expense				
30	Net Non-Regulatory Income				-
31	Net Income (Loss)				\$ (471,676)

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 2
SCHEDULE 6

PROMISSORY NOTES, BONDS AND
OTHER INDEBTEDNESS

(1 Page)

Molokai Public Utilities, Inc.

Promissory Notes, Bonds and Other Indebtedness

NONE

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 3

PLANT AND
ACCUMULATED DEPRECIATION

(2 Pages)

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Exhibit MPU 3
Docket No. 2009-0048
Witness O'Brien
Page 1 of 2

Plant and Accumulated Depreciation

		[1]	[2]	[3]	[4]
Line #	Description	Balance At 06/30/08	Year Ended 6-30-09		Balance At 06/30/09
			Additions	Retirements or Adjustment	
<u>PLANT IN SERVICE</u>					
1	Equipment & Facilities 3 year life	\$ 1,434			\$ 1,434
2	Equipment & Facilities 5 year life	179,692	40,000		219,692
3	Equipment & Facilities 7 year life	52,671			52,671
4	Equipment & Facilities 10 year life	119,731	20,000		139,731
5	Equipment & Facilities 15 year life	79,774	30,000		109,774
6	Equipment & Facilities 20 year life	1,059,138			1,059,138
7	Equipment & Facilities 30 year life	61,448			61,448
8	Fully Depreciated Plant	4,931,896			4,931,896
9					-
10	TOTAL	<u>\$ 6,485,783</u>	<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 6,575,783</u>
<u>ACCUMULATED DEPRECIATION</u>					
1	Equipment & Facilities 3 year life	\$ 1,394	\$ 40		\$ 1,434
2	Equipment & Facilities 5 year life	143,754	39,936		183,691
3	Equipment & Facilities 7 year life	32,126	7,524		39,651
4	Equipment & Facilities 10 year life	29,463	12,973		42,436
5	Equipment & Facilities 15 year life	8,082	6,318		14,400
6	Equipment & Facilities 20 year life	148,554	52,957		201,511
7	Equipment & Facilities 30 year life	6,145	2,048		8,193
8	Fully Depreciated Plant	4,981,896			4,981,896
9					-
10	TOTAL	<u>\$ 5,351,414</u>	<u>\$ 121,797</u>	<u>\$ -</u>	<u>\$ 5,473,211</u>

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Exhibit MPU 3
Docket No. 2009-0048
Witness O'Brien
Page 2 of 2

Plant and Accumulated Depreciation

		[1]	[2]	[3]	[4]
Line #	Description	Balance At 06/30/09	Year Ended 6-30-10		Balance At 06/30/10
			Additions	Retirements or Adjustment	
<u>PLANT IN SERVICE</u>					
1	Equipment & Facilities 3 year life	\$ 1,434			\$ 1,434
2	Equipment & Facilities 5 year life	219,692			219,692
3	Equipment & Facilities 7 year life	52,671			52,671
4	Equipment & Facilities 10 year life	139,731	10,500		150,231
5	Equipment & Facilities 15 year life	109,774	4,000		113,774
6	Equipment & Facilities 20 year life	1,059,138			1,059,138
7	Equipment & Facilities 30 year life	61,448			61,448
8	Fully Depreciated Plant	4,931,896			4,931,896
9	-	-			-
10	TOTAL	<u>\$ 6,575,783</u>	<u>\$ 14,500</u>	<u>\$ -</u>	<u>\$ 6,590,283</u>
<u>ACCUMULATED DEPRECIATION</u>					
1	Equipment & Facilities 3 year life	\$ 1,434	\$ -		\$ 1,434
2	Equipment & Facilities 5 year life	183,691	8,000		191,691
3	Equipment & Facilities 7 year life	39,651	7,524		47,175
4	Equipment & Facilities 10 year life	42,436	14,498		56,934
5	Equipment & Facilities 15 year life	14,400	7,452		21,852
6	Equipment & Facilities 20 year life	201,511	52,957		254,468
7	Treatment & Disposal	8,193	2,048		10,241
8	2009 Additions	4,981,896			4,981,896
9	-	-	-		-
10	TOTAL	<u>\$ 5,473,211</u>	<u>\$ 92,479</u>	<u>\$ -</u>	<u>\$ 5,565,691</u>

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 4

PRESENT RATE SCHEDULE

(2 Pages)

**MOLOKAI PUBLIC UTILITIES, INC.
PRESENT RATE SCHEDULE**

USER CHARGES:

1. Deposit prior to commencement of services	\$ 50.00
2. Water Consumption Charge per month per 1000 gallons	\$ 3.18
Temporary Water Consumption Charge	\$ 6.04*
* Pursuant to the Temporary Rate Relief Order and the Order Granting Extension of Temporary Rate Relief, the consumption charge of \$3.18 per 1,000 gallons was temporarily increased to \$6.04 per 1,000 gallons.	
Conservation Charge per month per 1000 gallons for each 1000 gallons above base level for each customer classification	\$ 4.70**
**Customer classification/base levels:	
Hotel	Gallons Per Month 2,015,000
West Molokai Association (Kaluakoi Villas)	2,225,000
Ke Nani Kai	2,139,000
Paniolo Hale	1,333,000
Golf Course	12,168,000
Beach Park	791,000
Residential (per unit)	150,000
3. Standby charge per month (per installed meter)	
5/8" or 3/4"	\$ 11.25
1"	\$ 15.00
1-1/2"	\$ 22.50
2"	\$ 37.50
3"	\$ 75.00
4"	\$ 112.50
6"	\$ 225.00
8"	\$ 375.00
4. Private fire protection rates per month:	
Per Hydrant	\$ 5.25
Per Standpipe	\$ 3.00
Others: Per in diameter of feed main	\$ 3.75

- | | |
|---|--|
| 5. Monthly water availability charge to each owner of each lot at which a service connection is possible but has not been applied for | \$ 3.00 |
| 6. Contribution for tap-in (meter size / inches) | |
| 5/8" or 3/4" | \$ 150.00 |
| 1" | \$ 300.00 |
| 1-1/2" | \$ 525.00 |
| 2" | \$ 750.00 |
| 3" | \$1,500.00 |
| 4" | \$3,000.00 |
| 6" | \$4,500.00 |
| 8" | \$6,750.00 |
| 7. Reconnection Fee | \$ 75.00 |
| 8. Inspection fee where user installs the tap-in and meter | Actual cost, but not less than \$37.50 |
| 9. Bulk Water Sales per month per 1000 gallons (Kualapuu Bulk Sale Contract) | \$ 1.125 |
| 10. Temporary fire hydrant water use charge: | |

For water taken on a temporary basis from a hydrant pursuant to the prior written permission of MPU, the charge will be the highest consumption rate approved by the Commission in effect at the time of such use, plus, with regard to the need to meter the temporary water use, a meter charge equivalent to the monthly standby charge for the applicable meter size.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 5

PROPOSED RATE SCHEDULE

(2 Pages)

**MOLOKAI PUBLIC UTILITIES, INC.
PROPOSED RATE SCHEDULE**

USER CHARGES:

1.	Deposit prior to commencement of services	\$ 100.00
2.	Water consumption charge per month per 1,000 gallons	
	Phase I (Effective upon Commission Order)	\$ 7.9996
	Phase II (Effective six-months after Phase I Effective Date)	\$ 9.6061
3.	Standby Charge per month (per installed meter)	
	Phase I (Effective upon Commission Order)	
	5/8" or 3/4"	\$ 28.00
	1"	\$ 38.00
	1-1/2"	\$ 57.00
	2"	\$ 94.00
	3"	\$ 188.00
	4"	\$ 282.00
	6"	\$ 565.00
	8"	\$ 942.00
	Phase II (Effective six-months after Phase I Effective Date)	
	5/8" or 3/4"	\$ 34.00
	1"	\$ 45.00
	1-1/2"	\$ 68.00
	2"	\$ 113.00
	3"	\$ 226.00
	4"	\$ 340.00
	6"	\$ 678.00
	8"	\$1,131.00
4.	Private fire protection rates per month	
	Phase I (Effective upon Commission Order)	
	Per Hydrant	\$ 7.95
	Per Standpipe	\$ 4.54
	Other	\$ 5.68

Phase II (Effective six-months after Phase I Effective Date)

Per Hydrant	\$ 10.61
Per Standpipe	\$ 6.06
Other	\$ 7.58

5. Monthly water availability charge to each owner of each lot at which a service connection is possible but has not been applied for

Phase I (Effective upon Commission Order) \$ 4.54

Phase II (Effective six-months after Phase I Effective Date) \$ 6.06

6. Contribution for tap-in (meter size / inches)

5/8" or 3/4"	\$ 150.00
1"	\$ 300.00
1-1/2"	\$ 525.00
2"	\$ 750.00
3"	\$1,500.00
4"	\$3,000.00
6"	\$4,500.00
8"	\$6,750.00

7. Reconnection Fee \$ 150.00

8. Inspection fee where user installs the tap-in and meter Actual Cost*
* Not less than \$37.50

9. Bulk Water Sales per month per 1,000 gallons

Phase I (Effective upon Commission Order) \$ 2.8301

Phase II (Effective six-months after Phase I Effective Date) \$ 3.3984

10. Temporary fire hydrant water use charge

For water taken on a temporary basis from a hydrant pursuant to the prior written permission of the Company, the charge will be the highest consumption rate approved by the Commission in effect at the time of such use, plus, with regard to the need to meter the temporary water use, a meter charge equivalent to the monthly stand-by charge for the applicable meter size.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 6

TEST YEAR ENDED JUNE 30, 2010
RATE OF RETURN SUMMARY AT
PRESENT AND PROPOSED RATES

(2 Pages)

Molokai Public Utilities, Inc.
Revenue Requirements & Rate of Return Summary
Test Year Ending June 30, 2010

Line #		[1] Present Rates	[2] Additional Amount	[3] Proposed Rates at 2.00%
1	Monthly Customer Charge	\$53,228	\$107,428	\$160,656
2	Water Usage Charge	385,410	778,831	1,164,241
3	Other	0		0
4	Connection Fees	0		0
5	Late Fees	1,200		1,200
6				
7	Total Operating Revenues	<u>439,838</u>	<u>886,259</u>	<u>1,326,097</u>
8	Labor, Payroll Taxes & Employee Benefits	209,865		209,865
9	Fuel & Power Expense	513,591		513,591
10	Department of Agri - Rental/Service	144,456		144,456
11	Cost of Sales	0		0
12	Materials & Supplies	85,583		85,583
13	NOT USED	0		0
14	Affiliated Charges	9,600		9,600
15	Professional & Outside Services	14,137		14,137
16	Repairs & Maintenance	65,812		65,812
17	NOT USED	0		0
18	Insurance	13,000		13,000
19	Regulatory Expense	55,000		55,000
20	General & Administrative	13,318		13,318
21	Other	0		0
22	Other	0		0
23	Total O&M Expenses	<u>1,124,363</u>	<u>0</u>	<u>1,124,363</u>
24	Taxes, Other Than Income	28,084	56,588	84,671
25	Depreciation	92,479		92,479
26	Amortization	0		0
27	Income Taxes	(306,912)	311,519	4,607
28	Diff. due to changing factors			0
29	Total Operating Expenses	<u>938,014</u>	<u>368,106</u>	<u>1,306,121</u>
30	Operating Income	<u>(\$498,176)</u>	<u>\$518,153</u>	<u>\$19,976</u>
31	Average Rate Base	<u>\$996,161</u>		<u>\$996,161</u>
32	Return on Rate Base	-50.01%		<u>2.01%</u>
33	Target ROR	<u>2.00%</u>		
34	Increase in ROR	<u>-52.01%</u>		
35	Increase in NOI	518,099		
36	Gross Revenue Conversion Factor	<u>1.71060</u>		
37	Increase in Revenues	<u>\$886,261</u>	<u>\$2</u>	
38	Percent Increase in Revenue		<u>201.50%</u>	

Molokai Public Utilities, Inc.
Revenue Requirements Support
Test Year Ending June 30, 2010

Line No.		Amount	Amount	Amount
	Gross Revenue Conversion Factor			
1	Additional Revenue		1.000000	
	Less:			
2	Bad Debts	0.000000		
3	Public Service Company Tax	0.058850		
4	PUC Fee	0.005000		
5	Franchise	0.000000	0.063850	0.06385
6	Subject to Income Tax		0.936150	
	Less:			
7	State Income Tax	0.062493		0.058503
8	Federal Income Tax	0.318752		0.298400
9	Composite Income Tax Rate	0.381246	0.356903	
10	Remaining for Net Income		0.579247	
11	Expense for each \$1 of Revenue		0.420753	
12	Factor for Moving Rate Base			
13	=	(1-Bad Debt%-Revenue Taxes-Income tax on Addl. Revenue)		
14	Factor	L 10	0.5792469031	
15	Revenue Factor		1.726379536	

Additional Revenue Requirements

16	CA's proposed rate of return	2.00%
17	Multiply rate base @ present rates by the above proposed ROR	19,923
18	Subtract the net income @ present rates from the above net income	518,099
19	Divide the above difference by the moving rate base factor to	
20	determine the additional revenue requirements @ the CA's ROR	894,436
21	Multiply the add'l revenues by the bad debt factor	0
22	Multiply the add'l revenues by the revenue tax factor	57110
23	Multiply the add'l revenues by the inc tax on add'l revenue	319227
24		
25	Total Expenses at Proposed Rates	1,306,121
26	Subtract total expense from total revenues @ proposed rates	19,976
27	Subtract NI before WC change from NI after WC change	
28	Divide change in NI by desired rate of return	0.0
29	Calculate change in rate base	996,161
30	Test - Divide NI by rate base	2.01%

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 7

INCOME TAX EXPENSE
TEST YEAR ENDED JUNE 30, 2010
RECORDED AT PRESENT AND PRO FORMA
AT PROPOSED RATES

(1 Page)

Molokai Public Utilities, Inc.
Income Tax Expense
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
		Taxable Amounts			Income Taxes			Difference in Income Tax Calculations	
		Tax Rates	Present Rates	Revenue Increase	Proposed Rates	Present Rates	Revenue Increase	Proposed Rates	
1	Total Revenues					439,838	886,259	1,326,097	
2	Total Operations & Maintenance Expenses					1,124,363	0	1,124,363	
3	Depreciation					92,479	0	92,479	
4	Amortization					0	0	0	
5	Taxes Other than Income Taxes					28,084	56,588	84,671	
6	Total Operating Expenses					1,244,926	56,588	1,301,514	
7	Operating Income before Income Taxes					(805,088)	829,671	24,583	
8	Interest Expenses					-	-	-	
9	State taxable income					(805,088)	829,671	24,583	
	Less:								
10	State income Tax								
11	less than \$25K	4.4%	(25,000)	25,000	24,583	(1,100)	1,100	1,082	
12	Over \$25K, but less than \$100K	5.4%	(75,000)	75,000		(4,050)	4,050	0	
13	Over \$100K	6.4%	(705,088)	729,671		(45,126)	46,699	0	
14	State Income Tax					(50,276)	51,849	1,082	492
15	Federal taxable income					(754,812)	777,822	23,502	
16	Federal income tax								
17	less than \$50K	15.0%	(50,000)	50,000	23,502	(7,500)	7,500	3,525	
18	Over \$50K, but less than \$75K	25.0%	(25,000)	25,000		(6,250)	6,250	0	
19	Over \$75K, but less than \$100K	34.0%	(25,000)	25,000		(8,500)	8,500	0	
20	Over \$100K, but less than \$335K	39.0%	(235,000)	235,000		(91,650)	91,650	0	
21	Over \$335K	34.0%	(419,812)	442,822		(142,736)	150,560	0	
22	Federal Income Tax					(256,636)	264,460	3,525	4,298
23	Total Federal and State income taxes					(\$306,912)	\$316,309	\$4,607	\$4,790
24									
25	Effective Tax Rate					38.1215%	38.1246%	18.7400%	
26	State					6.245%	6.249%	4.4000%	
27	Federal					31.877%	31.875%	14.3400%	

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 8

TAXES OTHER THAN INCOME TAXES
TEST YEAR ENDED JUNE 30, 2010
RECORDED AT PRESENT AND PRO FORMA
AT PROPOSED RATES

(1 Page)

Molokai Public Utilities, Inc.
Taxes Other Than Income Taxes
Test Year Ending June 30, 2010

Line #	Description	[1] Revenues at Present Rates	[2] Revenues at Proposed Rates	[3] Tax Rates	[4] Taxes at Present Rates	[5] Taxes at Proposed Rates
<u>Revenue Taxes</u>						
1	Public Company Service Tax (Pursuant to HRS § 239)	\$439,838	\$1,326,097	5.885%	\$25,884	\$78,041
2	Public Utility Fee (Pursuant to HRS § 269-30)	439,838	1,326,097	0.500%	2,199	6,630
3	Franchise Tax (applicable to electric companies only) (Pursuant to HRS § 240)			2.500%		
4	Total Revenue Taxes				28,084	84,671
<u>Other Taxes</u>						
5	Name					0
6	Total Other Taxes				0	0
7	Total Taxes Other Than Income Taxes				\$28,084	\$84,671

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 9

AVERAGE RATE BASE
2009-2010 TEST YEAR

(9 Pages)

Molokai Public Utilities, Inc.
Average Rate Base
Test Year Ending June 30, 2010

		[1]	[2]	[3]
Line #	Description	At June 30, 2009	At June 30, 2010	Average
	<u>Plant In Service</u>	\$6,575,783	\$6,590,283	\$6,583,033
1	Accumulated Depreciation Reserve	5,423,211	5,515,691	5,469,451
2	Net Plant-in-Service	1,152,572	1,074,593	1,113,582
	<u>Deduct:</u>			
3	Net Contributions in Aid of Construction	0	0	0
4	Customer Advances	0	0	0
5	Customer Deposits	(10,691)	(10,691)	(10,691)
6	Accumulated Deferred Taxes: Federal	0	0	0
7	Accumulated Deferred Taxes: State	0	0	0
8	Unamortized Hawaii General Excise Tax Credit	(207,371)	(191,264)	(199,317)
9	subtotal	(218,062)	(201,955)	(210,008)
	<u>Add:</u>			
10	Working Capital	92,587	92,587	92,587
11	Retirements	0	0	0
12	subtotal	92,587	92,587	92,587
13	Total at End of Year	\$1,027,097	\$965,225	
14	Average Rate Base For Test Year			\$996,161

Molokai Public Utilities, Inc.
Rate Base Support
Test Year Ending June 30, 2010

		[1]	[2]	[3]
Line #	Description	Molokai Public Utilities, Inc.	Adjustments	Pro Forma
<u>Rate Base @ 2009</u>				
1	Plant In Service	\$6,575,783	\$0	\$6,575,783
2	Accumulated Depreciation Reserve	(5,423,211)	0	(5,423,211)
3	Net Plant-in-Service	1,152,572	0	1,152,572
<u>Deduct:</u>				
4	Net Contributions in Aid of Construction	0	0	0
5	Customer Advances	0	0	0
6	Customer Deposits	(10,691)	0	(10,691)
7	Accumulated Deferred Taxes: Federal	0	0	0
8	Accumulated Deferred Taxes: State	0	0	0
9	Unamortized Hawaii General Excise Tax Credit	(207,371)	0	(207,371)
10	subtotal	(218,062)	0	(218,062)
<u>Add:</u>				
11	Working Capital	92,587	0	92,587
12	Retirements	0	0	0
13				
14	subtotal	\$92,587	\$0	\$92,587
<u>Rate Base @ 2010</u>				
15	Plant In Service	\$6,590,283	\$0	\$6,590,283
16	Accumulated Depreciation Reserve	(5,515,691)	0	(5,515,691)
17	Net Plant-in-Service	1,074,593	0	1,074,593
<u>Deduct:</u>				
18	Net Contributions in Aid of Construction	0	0	0
19	Customer Advances	0	0	0
20	Customer Deposits	(10,691)	0	(10,691)
21	Accumulated Deferred Taxes: Federal	0	0	0
22	Accumulated Deferred Taxes: State	0	0	0
23	Unamortized Hawaii General Excise Tax Credit	(191,264)	0	(191,264)
24	subtotal	(201,955)	0	(201,955)
<u>Add:</u>				
25	Working Capital	92,587	0	92,587
26	Retirements	0	0	0
27				
28	subtotal	\$92,587	\$0	\$92,587

Molokai Public Utilities, Inc.
Plant In Service
Test Year Ending June 30, 2010

			[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Line #	Description	Ref:	Balance as of 6/30/08	6/30/09 Additions	6/30/09 Retirements	Adjust	Balance as of 6/30/09	6/30/10 Additions	6/30/10 Retirements	Adjust	Test Year Balance as of 6/30/10	
1	Fully Depreciated Plant		\$4,931,896				\$4,931,896				\$4,931,896	
2	Caterpillar Engine Model 3412E	000112	78,499				\$78,499				\$78,499	
3	Controls for Mahana Pumps	000123	13,925				13,925				13,925	
4	Engine Alum-Teck Pacific Machinery	000110	23,877				23,877				23,877	
5	HDPE Pipe for Papohaku Ranchlands	000108	21,042				21,042				21,042	
6	Caterpillar Engine - retention	000113	8,722				8,722				8,722	
7	Solar Electric System MKK Solar	000111	5,244				5,244				5,244	
8	14 Water Meters M35 B81 3/4"	000114	2,621				2,621				2,621	
9	Road Plates 3-each 5'x8' A-36 Steel	000107	2,508				2,508				2,508	
10	Dechlorination Bazooka, Liquid Feed	000121	1,434				1,434				1,434	
11	Sub-Total		<u>5,089,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,089,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,089,768</u>	
12	Puunana Treatment Plant Upgrade	000124	1,012,378				1,012,378				1,012,378	
13	CAP MP105 Papohaku Line Bypass	000120	61,448				61,448				61,448	
14	Well 17 Repairs	000128	52,658				52,658				52,658	
15	Turbine Pump-Beylik Drilling	000125	46,875				46,875				46,875	
16	CAP MP102 Meter Replacement	000118	67,073				67,073				67,073	
17	CAP KAJ140 Excess Water Pressure	000116	46,760				46,760				46,760	
18												
19	Bypass Line for Moana Makani	000115	65,000				65,000				65,000	
20	Mahana Pump replacement install	000126	14,100				14,100				14,100	
21	CAP MP103 Well 17 Permit	000119	24,119				24,119				24,119	
22	Control Piping Install	000127	2,253				2,253				2,253	
23	MP104-Repower Well 17	000122	3,351				3,351				3,351	
24	Sub-Total		<u>1,396,015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,396,015</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,396,015</u>	
25	Backwash Water Recycle System			20,000			20,000				20,000	
26	Valve Replace for Kaluakoi						0	4,000			4,000	
27	Well 17 House Cooling Equip						0	5,000			5,000	
28	Lateral Replacement Tool						0	3,000			3,000	
29	Meter Reading Equip & Meters			30,000			30,000				30,000	
30	Air Compressor & Tools						0	2,500			2,500	
31	Vehicles			40,000			40,000				40,000	
32	Total Additions			<u>90,000</u>	<u>0</u>	<u>0</u>	<u>90,000</u>	<u>14,500</u>	<u>0</u>	<u>0</u>	<u>104,500</u>	
33	Total		<u>\$6,485,783</u>	<u>\$90,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,575,783</u>	<u>\$14,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,590,283</u>	

Molokai Public Utilities, Inc.
Accumulated Depreciation
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Line #	Description	Ref:	Balance as of 6/30/08	6/30/09 Dep. Exp.	6/30/09 Retirements	Adjust	Balance as of 6/30/09	6/30/10 Dep. Exp.	6/30/10 Retirements	Adjust	Test Year Balance as of 6/30/10
1	Fully Depreciated Plant		\$4,931,896				\$4,931,896	\$0			\$4,931,896
2	Caterpillar Engine Model 3412E	000112	62,800	15,699			78,499	0			78,499
3	Controls for Mahana Pumps	000123	2,011	928			2,939	928			3,868
4	Engine Alum-Teck Pacific Machinery	000110	13,928	3,411			17,339	3,411			20,750
5	HDPE Pipe for Papohaku Ranchlands	000108	13,527	3,006			16,533	3,006			19,539
6	Caterpillar Engine - retention	000113	6,977	1,744			8,722	0			8,722
7	Solar Electric System MKK Solar	000111	3,059	749			3,808	749			4,557
8	14 Water Meters M35 B81 3/4"	000114	553	175			728	175			903
9	Road Plates 3-each 5'x8' A-36 Steel	000107	1,612	358			1,970	358			2,329
10	Dechlorination Bazooka, Liquid Feed	000121	1,394	40			1,434	0			1,434
11	Sub-Total		<u>5,037,758</u>	<u>26,110</u>	<u>0</u>	<u>0</u>	<u>5,063,868</u>	<u>8,627</u>	<u>0</u>	<u>0</u>	<u>5,072,496</u>
12	Puunana Treatment Plant Upgrade	000124	139,202	50,619			189,821	50,619			240,440
13	CAP MP105 Papohaku Line Bypass	000120	6,145	2,048			8,193	2,048			10,241
14	Well 17 Repairs	000128	2,633	5,266			7,899	5,266			13,164
15	Turbine Pump-Beylik Drilling	000125	4,428	3,125			7,553	3,125			10,678
16	CAP MP102 Meter Replacement	000118	26,830	6,707			33,537	6,707			40,244
17	CAP KAJ140 Excess Water Pressure	000116	9,352	2,338			11,690	2,338			14,028
18											
19	Bypass Line for Moana Makani	000115	52,000	13,000			65,000	0			65,000
20	Mahana Pump replacement install	000126	940	940			1,880	940			2,820
21	CAP MP103 Well 17 Permit	000119	19,296	4,823			24,119	0			24,119
22	Control Piping Install	000127	150	150			300	150			450
23	MP104-Repower Well 17	000122	2,681	670			3,351	0			3,351
24	Sub-Total		<u>263,656</u>	<u>89,687</u>	<u>0</u>	<u>0</u>	<u>353,343</u>	<u>71,193</u>	<u>0</u>	<u>0</u>	<u>424,536</u>
25	Backwash Water Recycle System		0	1,000			1,000	2,000			3,000
26	Valve Replace for Kaluakoi		0	0			0	133			133
27	Well 17 House Cooling Equip		0	0			0	250			250
28	Lateral Replacement Tool		0	0			0	150			150
29	Meter Reading Equip & Meters		0	1,000			1,000	2,000			3,000
30	Air Compressor & Tools		0	0			0	125			125
31	Vehicles		0	4,000			4,000	8,000			12,000
32	Total Additions		<u>0</u>	<u>6,000</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>12,658</u>	<u>0</u>	<u>0</u>	<u>18,658</u>
33	Total		<u>\$5,301,414</u>	<u>\$121,797</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,423,211</u>	<u>\$92,479</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,515,691</u>

Molokai Public Utilities, Inc.
Depreciation Expense (Book)
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] In-service date	[3] Total Cost	[4] Estimated Useful Life	[5] Acc. Dep. Balance At 6/30/08	[6] Year Ended 6/30/09 Dep. Exp.	[7] Acc. Dep. Balance At 6/30/09	[8] Year Ended 6/30/10 Dep. Exp.	[9] Test Year Acc. Dep. Balance as of 6/30/10
1	Fully Depreciated Plant	0		\$4,931,896		\$4,931,896	\$0 x	\$4,931,896	\$0	\$4,931,896
1	Caterpillar Engine Model 3412E	000112	6/30/04	78,499	5	62,800	15,699 x	78,499		78,499
2	Controls for Mahana Pumps	000123	4/30/06	13,925	15	2,011	928	2,939	928	3,868
3	Engine Alum-Teck Pacific Machinery	000110	5/31/04	23,877	7	13,928	3,411	17,339	3,411	20,750
4	HDPE Pipe for Papohaku Ranchlands	000108	12/31/03	21,042	7	13,527	3,006	16,533	3,006	19,539
5	Caterpillar Engine - retention	000113	6/30/04	8,722	5	6,977	1,744 x	8,722		8,722
6	Solar Electric System MKK Solar	000111	5/31/04	5,244	7	3,059	749	3,808	749	4,557
7	14 Water Meters M35 B81 3/4"	000114	4/30/05	2,621	15	553	175	728	175	903
8	Road Plates 3-each 5'x8' A-36 Steel	000107	12/31/03	2,508	7	1,612	358	1,970	358	2,329
9	Dechlorination Bazooka, Liquid Feed	000121	7/31/05	1,434	3	1,394	40 x	1,434		1,434
10	Sub-Total			<u>157,872</u>		<u>105,862</u>	<u>26,110</u>	<u>131,972</u>	<u>8,627</u>	<u>140,600</u>
11	Puunana Treatment Plant Upgrade	000124	9/30/05	1,012,378	20	139,202	50,619	189,821	50,619	240,440
12	CAP MP105 Papohaku Line Bypass	000120	7/1/04	61,448	30	6,145	2,048	8,193	2,048	10,241
13	Well 17 Repairs	000128	11/30/07	52,658	10	2,633	5,266	7,899	5,266	13,164
14	Turbine Pump-Beylik Drilling	000125	2/8/07	46,875	15	4,428	3,125	7,553	3,125	10,678
15	CAP MP102 Meter Replacement	000118	7/1/04	67,073	10	26,830	6,707	33,537	6,707	40,244
16	CAP KAJ140 Excess Water Pressure	000116	7/1/04	46,760	20	9,352	2,338	11,690	2,338	14,028
17										
18	Bypass Line for Moana Makani	000115	7/1/04	65,000	5	52,000	13,000 x	65,000		65,000
19	Mahana Pump replacement install	000126	6/29/07	14,100	15	940	940	1,880	940	2,820
20	CAP MP103 Well 17 Permit	000119	7/1/04	24,119	5	19,296	4,823 x	24,119		24,119
21	Control Piping Install	000127	6/29/07	2,253	15	150	150	300	150	450
22	MP104-Repower Well 17	000122	7/1/04	3,351	5	2,681	670 x	3,351		3,351
23	Sub-Total			<u>1,396,015</u>		<u>263,656</u>	<u>89,687</u>	<u>353,343</u>	<u>71,193</u>	<u>424,536</u>
24	Backwash Water Recycle System		6/30/09	20,000	10	0	1,000	1,000	2,000	3,000
25	Valve Replace for Kaluakoi		1/1/10	4,000	15	0	0	0	133	133
26	Well 17 House Cooling Equip		1/1/10	5,000	10	0	0	0	250	250
27	Lateral Replacement Tool		1/1/10	3,000	10	0	0	0	150	150
28	Meter Reading Equip & Meters		6/30/09	30,000	15	0	1,000	1,000	2,000	3,000
29	Air Compressor & Tools		1/1/10	2,500	10	0	0	0	125	125
30	Vehicles		6/30/09	40,000	5	0	4,000	4,000	8,000	12,000
31	Total Additions			<u>104,500</u>		<u>0</u>	<u>6,000</u>	<u>6,000</u>	<u>12,658</u>	<u>18,658</u>
32	Total			<u>\$1,658,387</u>		<u>\$369,518</u>	<u>\$121,797</u>	<u>\$491,315</u>	<u>\$92,479</u>	<u>\$583,795</u>

Molokai Public Utilities, Inc.
Customer Deposits
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2]	[3]	[4]	[5]	[6]	[7]	[8]
			Balance as of 6/30/08	6/30/09 Additions	6/30/09 Adjustments	Balance as of 6/30/09	6/30/10 Additions	6/30/10 Adjustments	Test Year Balance as of 6/30/10
1	Deposit Balance		\$6,875	\$11,179	(\$7,363)	\$10,691			\$10,691
2	Total		\$6,875	\$11,179	(\$7,363)	\$10,691	\$0	\$0	\$10,691

Molokai Public Utilities, Inc.
Accumulated Deferred Income Taxes
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Line #	Description	Tax Life	In-service date	Total Cost	Tax Depreciation Method	Accumulated Tax Depre As of 6/30/08	6/30/09 Tax Dep. Exp.	6/30/09 Adjustments	Accumulated Tax Depre As of 6/30/09	6/30/10 Tax Dep. Exp.	6/30/10 Adjustments	Accumulated Tax Depre As of 6/30/10
1	Water Property Prior to 2000			<u>\$4,931,896</u>		<u>\$4,931,896</u>			<u>\$4,931,896</u>			<u>\$4,931,896</u>
2												
3												
4	Equipment	5	12/31/02	3,156	200 DB	3,156	0		3,156	0		3,156
5	Equipment	5	12/31/03	65,887	200 DB	62,091	3,796		65,887	0		65,887
6	Equipment	5	6/30/05	5,671	200 DB	4,791	776		5,567	104		5,671
7	Water System	15	5/30/05	194,908	150 DB	57,050	15,593		72,643	15,593		88,236
8	Equipment	5	7/31/08	1,434	200 DB	1,099	224		1,323	224		1,547
9												
10												
11	Equipment	5	4/30/06	13,925	200 DB	9,163	3,175		12,338	3,175		15,513
12	Water System	15	2/2/06	46,875	150 DB	8,461	4,008		12,469	4,008		16,477
13	Water System	15	6/30/06	14,100	150 DB	2,546	1,206		3,752	1,206		4,958
14	Water System	15	6/30/06	2,253	150 DB	407	193		600	193		793
15	Water System	15	6/30/06	28,323	150 DB	1,416	1,416		2,832	1,416		4,248
16	Water System	15	9/30/07	24,335	150 DB	1,217	1,217		2,434	1,217		3,651
17	Water System	15	2/29/08	114	150 DB	6	6		12	6		18
18												
19	Brackish Water Recycle System	15	6/30/09	20,000	150 DB		1,000		1,000	1,900		2,900
20	Valve Replacement	5	1/1/10	4,000	200 DB				0	600		600
21	Cooling Equipment	5	1/1/10	5,000	200 DB				0	750		750
22	Lateral Replacement Tool	5	1/1/10	3,000	200 DB				0	450		450
23	Meter Reading Equip & Meters	5	6/30/09	30,000	200 DB		6,000		6,000	9,600		15,600
24	Air Compressor	5	1/1/10	2,500	200 DB				0	375		375
25	Vehicles	5	6/30/09	40,000	200 DB		8,000		8,000	12,800		20,800
26												
27	Total			<u>\$5,437,377</u>		<u>\$5,083,299</u>	<u>\$46,610</u>	<u>\$0</u>	<u>\$5,129,909</u>	<u>\$53,617</u>	<u>\$0</u>	<u>\$5,183,526</u>
28	Accumulated Book Depreciation								<u>5,423,211</u>			<u>5,515,691</u>
29	Tax Depreciation (Over) Under Book	L 28 - L 27							<u>293,302</u>			<u>332,165</u>
30	Composite Income Tax Rate								<u>38.1215%</u>			<u>38.1215%</u>
31	Accumulated Deferred Income Tax -- NOT USED BECAUSE BOOK DEPRECIATION EXCEEDS TAX DEPRECIATION								<u>\$111,811</u>	AMOUNTS NOT USED		<u>\$126,626</u>

Molokai Public Utilities, Inc.
Hawaii Capital Goods Excise Tax Credit
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Line #	Description	Ref:	In-service date	Total Credit Amount	Amortization Rate	Acc. Amort. Balance as of 6/30/08	6/30/09 Amortization	6/30/09 Adjustments	Acc. Amort. Balance as of 6/30/09	6/30/10 Amortization	6/30/10 Adjustments	Test Year Acc. Amort. Balance as of 6/30/10
1	Assets added in 2004		6/30/04	\$131,774	5.00%	\$32,944	\$6,589		\$39,532	\$6,589		\$46,121
2									0			0
3	Assets added in 2005		6/30/05	11,343	6.67%	3,026	757		3,783	757		4,539
4									0			0
5	Assets added in 2006		6/30/06	15,358	6.67%	3,073	1,024		4,098	1,024		5,122
6									0			0
7	Assets added in 2007		6/30/07	63,228	6.67%	8,435	4,217		12,652	4,217		16,869
8									0			0
9	Assets added in 2008		6/30/08	52,772	6.67%	3,520	3,520		7,040	3,520		10,560
10									0			0
11									0			0
12									0			0
13									0			0
14									0			0
15	Assets added in 2009		6/30/09						0			0
16									0			0
17	Assets added in 2010		6/30/10						0			0
18									0			0
19									0			0
20									0			0
21	Total			<u>\$ 274,475</u>		<u>\$ 50,997</u>	<u>\$ 16,107</u>	<u>\$ -</u>	<u>\$ 67,104</u>	<u>\$ 16,107</u>	<u>\$ -</u>	<u>\$ 83,211</u>
22	Unamortized Balance at End of Year								<u>\$ 207,371</u>			<u>\$ 191,264</u>

Molokai Public Utilities, Inc.
Working Cash
Test Year Ending June 30, 2010

[1]

Line #	Description	Amount
1	Labor, Payroll Taxes & Employee Benefits	209,865
2	Fuel & Power Expense	513,591
3	Department of Agri - Rental/Service	144,456
4	Cost of Sales	0
5	Materials & Supplies	85,583
6		0
7	Affiliated Charges	9,600
8	Professional & Outside Services	14,137
9	Repairs & Maintenance	65,812
10		0
11	Insurance	13,000
12	Regulatory Expense	55,000
13	General & Administrative	0
14	Other	0
15		
16		
17	subtotal	1,111,045
18	Working Cash factor	12
19	Working Cash	92,587

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 10

PRO FORMA HISTORICAL SUMMARY

(12 Pages)

Molokai Public Utilities, Inc.
Historical Summary
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]
Line #	Description	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
Revenues							
1	Monthly Customer Charges	\$0	\$0	\$0	\$0	\$0	\$53,228
2	Customer Usage Charges	640,139	663,733	763,752	780,623	646,616	385,410
3	Other						
4	Sub-Total	640,139	663,733	763,752	780,623	646,616	438,638
5	Connection Fees						
6	Late Fees	529	888	960	1,201	1,003	1,200
7	TOTAL WATER REVENUES	\$640,668	\$664,621	\$764,712	\$781,824	\$647,619	\$439,838
Expenses							
8	Labor, Payroll Taxes & Employee Benefit	\$ 85,045	\$ 107,400	\$ 209,708	\$ 172,714	\$ 155,828	\$ 209,865
9	Fuel & Power Expense	250,731	342,449	491,344	604,556	664,000	513,591
10	Department of Agri - Rental/Service	136,497	136,497	136,497	142,897	130,096	144,456
11	Cost of Sales	75,763	53,347	238,425	234,426	247,190	0
12	Materials & Supplies	5,891	7,595	86,955	73,367	80,167	85,583
13		0	0	0	0	0	0
14	Affiliated Charges	9,976	9,600	9,600	9,968	9,745	9,600
15	Professional & Outside Services	20,216	10,541	4,011	4,427	19,314	14,137
16	Repairs & Maintenance	27,836	34,140	23,488	135,542	86,743	65,812
17		0	0	0	0	0	0
18	Insurance	15,191	17,800	28,141	21,803	13,015	13,000
19	Regulatory Expense						55,000
20	General & Administrative	5,871	5,360	12,170	13,178	13,981	13,318
21	Other	878	0	0	0	0	0
22	Taxes Other than Income Taxes	24,588	31,408	32,213	34,291	30,940	28,084
23	Depreciation	3,360	82,854	123,109	137,268	117,648	92,479
24	Amortization						
25	Income Taxes						
26	TOTAL EXPENSES	\$ 661,843	\$ 838,991	\$ 1,395,661	\$ 1,584,437	\$ 1,568,667	\$ 1,244,926
27	NET INCOME/(LOSS)	\$ (21,175)	\$ (174,370)	\$ (630,949)	\$ (802,613)	\$ (921,048)	\$ (805,088)

Molokai Public Utilities, Inc.
Labor, Payroll Taxes & Employee Benefits
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
Expenses								
1	<u>Salaries & Wages</u>							
2	Direct S&W		\$63,596	\$87,895	\$62,914	\$68,805	\$58,981	\$145,601
3								
4	S&W Charged Thru Cost of Sales				54,806	64,901	64,198	
5								
6								
7	Total S&W		63,596	87,895	117,720	133,706	123,179	145,601
<u>Employee Benefits</u>								
8	Medical & Dental		5,015	4,610	7,372	10,596	9,377	38,156
9	Workers Compensation		9,252	6,608	41,251	6,036	5,057	11,935
10	TDI		451	545	563	203	231	799
11	Group Life		221	117	134	42	0	349
12	LTDI		226	231	236	190	90	772
13								
14	Benefits Charged Thru Cost of Sales				31,869	9,743	9,271	
15								
16	Total Employee Benefits		15,165	12,111	81,425	26,810	24,026	52,011
<u>Payroll Taxes</u>								
17	FICA		4,859	5,986	4,801	5,298	3,080	11,138
18	FUTA		114	171	141	125	90	234
19	SUTA		1,311	1,237	914	915	257	881
20								
21	Payroll Tax Charged Thru Cost of Sales				4,707	5,860	5,196	
22	Total payroll taxes		6,284	7,394	10,563	12,198	8,623	12,253
23	Total PR Taxes & Benefits		21,449	19,505	91,988	39,008	32,649	64,264
24	Total All		\$ 85,045	\$ 107,400	\$ 209,708	\$ 172,714	\$ 155,828	\$ 209,865

Molokai Public Utilities, Inc.
Fuel & Power Expense
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Lin e #								Test Year
	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	6/30/10
Expenses								
Electricity								
1	Direct To MPU		\$96,241	\$114,937	\$161,951	\$192,596	\$202,649	\$231,067
2	MPL Charges to MPU - a/c # 610				40,636	60,499	66,047 [a]	[b]
3	subtotal - Electric		<u>96,241</u>	<u>114,937</u>	<u>202,587</u>	<u>253,095</u>	<u>268,696</u>	<u>231,067</u>
Fuel								
4	Well # 17		154,490	227,512	288,757	351,461	395,304	282,524
5	subtotal - Fuel		<u>154,490</u>	<u>227,512</u>	<u>288,757</u>	<u>351,461</u>	<u>395,304</u>	<u>282,524</u>
6	Total Expense		<u>\$250,731</u>	<u>\$342,449</u>	<u>\$491,344</u>	<u>\$604,556</u>	<u>\$664,000</u>	<u>\$513,591</u>

APCAC Base Rate

7	Total Pro Forma Electric Expense (Line 13)							\$231,067
8	Water Sales for Test Year (Exhibit MPU 11)							<u>138,000</u>
9	Electric Expense Per Thousand Gallons							<u>\$1.67440</u>

[a] MPU Electric charged to MPU from MLP through Cost of Sales, account # 610, prior to December 2008

[b] Included as part of Line 1 for the Test Year

Molokai Public Utilities, Inc.
Department of Agri - Rental/Service
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
1	Expenses							
2	Dept of Agriculture		\$136,497	\$136,497	\$136,497	\$142,897	\$130,096	\$144,456
3								
4								
5	Total		\$136,497	\$136,497	\$136,497	\$142,897	\$130,096	\$144,456

Molokai Public Utilities, Inc.
Cost of Sales
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
MPU Direct Expenses								
1	Chemicals & Testing		\$49,265	\$20,031	\$8,592	\$779	\$112	
2	Chemical Shipping		2,739	3,189	841			
3	Charge from Wailoa for MM				(11,909)			
4	Chemicals							
5	Sub-Total		52,004	23,220	(2,476)	779	112	0
MPL Charges for MPU - a/c # 610								
								[B]
6	Salaries & Wages	[A]	23,759	30,127	54,806	64,901	64,198 [a]	Exh 10.1
7	Employee Benefits				31,868	9,743	9,271	Exh 10.1
8	Payroll Taxes				4,707	5,860	5,196	Exh 10.1
9	Electricity				40,636	60,499	66,047	Exh 10.2
10	Repair & Maintenance				9,938	8,992	13,040	Exh 10.9
11	Materials & Supplies				74,371	60,378	67,011	Exh 10.5
12	Vehicle Fuel				4,192	4,102	4,667	Exh 10.5
13	Insurance				10,873	8,424	5,028	Exh 10.11
14	Professional				2,675	1,923	3,875	Exh 10.8
15	Travel				2,123	2,608	5,754	Exh 10.13
16	Postage				1,655	3,172	1,180	Exh 10.13
17	Communications				1,923	1,828	1,306	Exh 10.13
18	Administrative				610	520	297	Exh 10.13
19	Other Charges				524	697	208	Exh 10.13
20	Sub-Total		23,759	30,127	240,901	233,647	247,078	0
21	TOTAL		\$75,763	\$53,347	\$238,425	\$234,426	\$247,190	\$0

[A] Charges incurred by MPL for MPU charged through account # 610. Charges stopped in December 2008

[B] Charges after December 2008 made directly to MPU and reflected on Exhibits Noted

Molokai Public Utilities, Inc.
Materials & Supplies
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Supplies for Operations		\$6,174	\$9,827	\$6,580	\$4,615	\$3,599	\$6,159
2	Uniforms		351	0	0	624	0	195
3	Fuel for Vehicles		5,391	7,275	8,033	7,890	8,331	7,384
4	Cleaning		149	320	359	373	158	272
5	Sub-Total							<u>14,010</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
6	Materials & Supplies				74,371	60,378	67,011	67,253
7	Fuel For Vehicles				4,192	4,102	4,667	4,320
8								
9	Sub-Total							<u>71,574</u>
10	Total		<u>\$5,891</u>	<u>\$7,595</u>	<u>\$86,955</u>	<u>\$73,367</u>	<u>\$80,167</u>	<u>\$85,583</u>

Molokai Public Utilities, Inc.
Affiliated Charges
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]
		Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
1	Finance Dept Allocation		\$9,976	\$9,600	\$9,600	\$9,968	\$9,745	\$9,600
2								
3								
4								
5	Total		\$9,976	\$9,600	\$9,600	\$9,968	\$9,745	\$9,600

Molokai Public Utilities, Inc.
Professional & Outside Services
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Legal Expense		\$12,722	\$1,994	\$1,336	\$2,427	\$5,452	\$4,786
2	Other Professional		7,494	8,547		77	9,987	6,526
3								
4								
5	Sub-Total							<u>11,312</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
6	Professional Services				2,675	1,923	3,875	2,824
7	Other							
8	Sub-Total							<u>2,824</u>
9	Total		<u>\$20,216</u>	<u>\$10,541</u>	<u>\$4,011</u>	<u>\$4,427</u>	<u>\$19,314</u>	<u>\$14,137</u>

Molokai Public Utilities, Inc.
Repairs & Maintenance
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Plant		\$24,522	\$30,782	\$9,019	\$122,975	\$72,343	\$51,928
2	Vehicles		3,314	3,358	4,531	3,575	1,360	3,228
3								
4	Sub-Total							<u>55,156</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
5	Repair & Maintenance				9,938	8,992	13,040	10,657
6								
7	Sub-Total							<u>10,657</u>
8	Total		<u>\$27,836</u>	<u>\$34,140</u>	<u>\$23,488</u>	<u>\$135,542</u>	<u>\$86,743</u>	<u>\$65,812</u>

Molokai Public Utilities, Inc.
Insurance
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Insurance		\$15,191	\$17,800	\$17,268	\$13,379	\$7,987	\$8,000
2								
3								
4	Sub-Total							<u>8,000</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
5	Insurance				10,873	8,424	5,028	5,000
6								
7	Sub-Total							<u>5,000</u>
8	Total		<u>\$15,191</u>	<u>\$17,800</u>	<u>\$28,141</u>	<u>\$21,803</u>	<u>\$13,015</u>	<u>\$13,000</u>

Molokai Public Utilities, Inc.
Regulatory Expense
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[2]
		Ref:	Amount	Total
	PREPARATION AND FILING			
1	Rate case consulting			
2	Regulatory		\$40,000	
3	Engineering			
4	Other			
5	Legal		20,000	
6	Travel		1,000	
7	Other non-labor		1,000	
8	Sub-Total			\$62,000
	DISCOVERY AND SETTLEMENT			
9	Rate case consulting			
10	Regulatory		25,000	
11	Engineering			
12	Other			
13	Legal		35,000	
14	Travel		2,000	
15	Other non-labor		1,000	
16	Sub-Total			63,000
	HEARINGS AND BRIEFING			
17	Rate case consulting			
18	Regulatory		10,000	
19	Engineering			
20	Other			
21	Legal		25,000	
22	Travel		3,000	
23	Other non-labor		2,000	
24	Sub-Total			40,000
25	Total			165,000
26	Amortization Period			3
27	Test Year expense			\$55,000

Molokai Public Utilities, Inc.
General & Administrative
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Travel		\$41	\$1,388	\$473	\$472	\$419	\$559
2	Equipment Rental		32	108	118	109	2,239	521
3	Admin Office Supplies		1,420	1,070	1,381	795	439	1,021
4	Telephone				269	412	483	388
5	Internet Connect		35	134	62	98	78	81
6	Cellular		1,959	1,434	1,321	1,119	698	1,306
7	Training		107		331	171	157	192
8	Postage		2,121	676	880	1,177	723	1,115
9	Advertising & Promo		125	500	500			
10	Other		31	50				
11	Sub-Total							<u>5,183</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
12	Travel				2,123	2,608	5,754	3,495
13	Postage				1,655	3,172	1,180	2,002
14	Communications				1,923	1,828	1,306	1,686
15	Administrative				610	520	297	476
16	Other				524	697	208	476
17	Sub-Total							<u>8,135</u>
18	Total		<u>\$5,871</u>	<u>\$5,360</u>	<u>\$12,170</u>	<u>\$13,178</u>	<u>\$13,981</u>	<u>\$13,318</u>

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU 11

PRO FORMA REVENUE SUMMARY

(9 Pages)

Molokai Public Utilities, Inc.
Revenues
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
			# of Cust Bills Or Water Usage	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			Proposed Rates		
Line #	Description	Meter Size		Monthly Rate	Annual Revenue [2]*[3]	Total Revenue	Monthly Rate	Annual Revenue [2]*[6]	Total Revenue	Monthly Rate	Annual Revenue [2]*[9]	Total Revenue
1	Rate Increase Percent									201.497%		
Monthly Customer Charge												
2	# of Customers (250)	5/8" Meter	2,398	\$11.25	\$ 26,978		\$11.25	\$ 26,978		\$34.00	\$81,532	
3	# of Customers (251)	1.0" Meter	12	\$15.00	180		\$15.00	180		\$45.00	540	
4	# of Customers (253)	1.5" Meter	12	\$22.50	270		\$22.50	270		\$68.00	816	
5	# of Customers (254)	2.0" Meter	36	\$37.50	1,350		\$37.50	1,350		\$113.00	4,068	
6	# of Customers (255)	3" Meter	26	\$75.00	1,950		\$75.00	1,950		\$226.00	5,876	
7	# of Customers (257)	6" Meter	60	\$225.00	13,500		\$225.00	13,500		\$678.00	40,680	
8	# of Customers (258)	8" Meter	24	\$375.00	9,000		\$375.00	9,000		\$1,131.00	27,144	
9	Sub-Total					\$53,228			\$53,228			\$160,656
Water Usage Charge												
10	Water Use for Test Year (000 gallons)		112,000	\$ 3.18	356,160		\$ 6.04	676,480		\$9,606.1	1,075,883	
11	Water Delivered to Wai'ola at Kualapuu Tap		26,000	\$ 1.1250	29,250		\$ 1.1250	29,250		\$3,398.4	88,358	
12	Total Water Sales		<u>138,000</u>									
13	Usage Revenue					385,410			705,730			1,164,241
14	Total Revenue					<u>\$ 438,638</u>			<u>\$ 758,958</u>			<u>\$ 1,324,897</u>
15	Revenue Increase To Temporary Rates							<u>\$320,320</u>				
16	Revenue Increase over Temporary Rates									<u>\$ 565,939</u>		
17	Total Revenue Increase from Present Rates										<u>\$886,259</u>	

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Summary -- July 2007 to June 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]
		Six Months Ended				Year Ended
		12/31/07	6/30/08	12/31/08	6/30/09	6/30/10
<u>5/8" meter (200)</u>						
1	Gallons billed in 000 gallons	37,055	34,964	17,004	-	-
2	# of customers for Usage Billing	1,121	1,141	590	0	0
3	Average Usage per Customer (000) (L 1 / L 2)	33.1	30.6	28.8	-	-
<u>1.0" meter (201)- MIS</u>						
4	Gallons billed in 000 gallons	12,873	12,854	13,374	-	26,000
5	# of customers for Usage Billing	6	6	6	0	12
6	Average Usage per Customer (000) (L 4 / L 5)	2,145.5	2,142.3	2,229.0	-	2,166.7
<u>1.0" meter (202)</u>						
7	Gallons billed in 000 gallons	7,118	6,267	2,163	-	-
8	# of customers for Usage Billing	6	6	3	0	0
9	Average Usage per Customer (000) (L 7 / L 8)	1,186.3	1,044.5	720.9	-	-
<u>1.5" meter (203)</u>						
10	Gallons billed in 000 gallons	9,309	9,983	3,794	-	-
11	# of customers for Usage Billing	12	12	6	0	0
12	Average Usage per Customer (000) (L 10 / L 11)	775.8	831.9	632.3	-	-
<u>2.0" meter (204)</u>						
13	Gallons billed in 000 gallons	4,880	4,202	2,013	-	-
14	# of customers for Usage Billing	12	12	6	0	0
15	Average Usage per Customer (000) (L 13 / L 14)	406.7	350.2	335.5	-	-
<u>3.0" meter (205)</u>						
16	Gallons billed in 000 gallons	30,120	16,754	65	-	-
17	# of customers for Usage Billing	18	18	9	0	0
18	Average Usage per Customer (000) (L 16 / L 17)	1,673.3	930.8	7.2	-	-

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Summary -- July 2007 to June 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]
		Six Months Ended				Year Ended
		12/31/07	6/30/08	12/31/08	6/30/09	6/30/10
<u>4.0" meter (206)</u>						
19	Gallons billed in 000 gallons	2,523	1,555	568	-	-
20	# of customers for Usage Billing	42	42	21	0	0
21	Average Usage per Customer (000) (L 19 / L 20)	60.1	37.0	27.0	-	-
<u>"CC"</u>						
22	Gallons billed in 000 gallons	4,637	3,710	2,006	-	-
23	# of customers for Usage Billing	6	6	3	0	0
24	Average Usage per Customer (000) (L 22 / L 23)	772.8	618.3	668.6	-	-
<u>WA (100)</u>						
25	Gallons billed in 000 gallons	-	-	-	-	-
26	# of customers for Usage Billing	0	0	2	0	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-
<u>KWA (2000)</u>						
28	Gallons billed in 000 gallons	-	-	31,559	-	112,000
29	# of customers for Usage Billing	0	0	638	-	-
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	49.5	-	-
<u>TOTAL EXCLUDING KUALAPUU</u>						
31	Gallons billed in 000 gallons	95,642	77,435	59,172	-	112,000
32	# of customers for Usage Billing	1,217	1,237	1,278	0	2,560
33	Average Usage per Customer (000)	78.6	62.6	46.3	-	43.8

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Summary -- July 2007 to June 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]
		Six Months Ended				Year Ended 6/30/10
		12/31/07	6/30/08	12/31/08	6/30/09	
<u>TOTAL ALL</u>						
34	Gallons billed in 000 gallons	108,515	90,289	72,546	-	138,000
35	# of customers for Usage Billing	1,223	1,243	1,284	0	2,572
36	Average Usage per Customer (000) (L 31 / L 32)	88.7	72.6	56.5	-	53.7
CUSTOMERS						
37	# of Customers (1) CC	6	6	3	-	3
38	# of Customers (100) WA	-	4	5	-	5
39	# of Customers (201) MIS	-	-	6	-	6
40	# of Customers (250)	1,146	1,160	1,199	-	2,398
41	# of Customers (251)	6	6	6	-	12
42	# of Customers (253)	6	6	6	-	12
43	# of Customers (254)	18	18	18	-	36
44	# of Customers (255)	12	12	13	-	26
45	# of Customers (257)	33	32	30	-	60
46	# of Customers (258)	14	12	12	-	24
47	# of Customers (260) TPI	3	-	20	-	-
48	Total Customers For Monthly Charge	1,244	1,256	1,318	-	2,582

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2008						2009						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
5/8" meter (200)														
1	Gallons billed in 000 gallons	6,702	8,117	2,185										17,004
2	# of customers for Usage Billing	197	197	196	0	0	0	0	0	0	0	0	0	590
3	Average Usage per Customer (000) (L 1 / L 2)	34.0	41.2	11.1	-	-	-	-	-	-	-	-	-	28.8
1.0" meter (201)- MIS														
4	Gallons billed in 000 gallons	2,222		5,300	1,979	2,219	1,654							13,374
5	# of customers for Usage Billing	1	-	2	1	1	1	0	0	0	0	0	0	6
6	Average Usage per Customer (000) (L 4 / L 5)	2,222.0	#DIV/0!	2,650.0	1,979.0	2,219.0	1,654.0	-	-	-	-	-	-	2,228.8
1.0" meter (202)														
7	Gallons billed in 000 gallons	692	875	596										2,163
8	# of customers for Usage Billing	1	1	1	0	0	0	0	0	0	0	0	0	3
9	Average Usage per Customer (000) (L 7 / L 8)	692.0	875.0	596.0	-	-	-	-	-	-	-	-	-	720.8
1.5" meter (203)														
10	Gallons billed in 000 gallons	1,486	1,761	547										3,794
11	# of customers for Usage Billing	2	2	2	0	0	0	0	0	0	0	0	0	6
12	Average Usage per Customer (000) (L 10 / L 11)	743.0	880.5	273.5	-	-	-	-	-	-	-	-	-	632.2
2.0" meter (204)														
13	Gallons billed in 000 gallons	736	960	317										2,013
14	# of customers for Usage Billing	2	2	2	0	0	0	0	0	0	0	0	0	6
15	Average Usage per Customer (000) (L 13 / L 14)	368.0	480.0	158.5	-	-	-	-	-	-	-	-	-	335.4
3.0" meter (205)														
16	Gallons billed in 000 gallons	24	29	12										65
17	# of customers for Usage Billing	3	3	3	0	0	0	0	0	0	0	0	0	9
18	Average Usage per Customer (000) (L 16 / L 17)	8.0	9.7	4.0	-	-	-	-	-	-	-	-	-	7.2
4.0" meter (206)														
19	Gallons billed in 000 gallons	314	176	78										568
20	# of customers for Usage Billing	7	7	7	0	0	0	0	0	0	0	0	0	21
21	Average Usage per Customer (000) (L 19 / L 20)	44.9	25.1	11.1	-	-	-	-	-	-	-	-	-	27.0

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2008						2009						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
"CC"														
22	Gallons billed in 000 gallons	753	956	297										2,006
23	# of customers for Usage Billing	1	1	1	0	0	0	0	0	0	0	0	0	3
24	Average Usage per Customer (000) (L 22 / L 23)	753.0	956.0	297.0	-	-	-	-	-	-	-	-	-	668.5
WA (100)														
25	Gallons billed in 000 gallons	-	-	-										-
26	# of customers for Usage Billing	0	1	1	0	0	0	0	0	0	0	0	0	2
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
KWA (2000)														
28	Gallons billed in 000 gallons	-	-	8,595	9,712	8,786	4,466							31,559
29	# of customers for Usage Billing	0	0	210	208	207	213	1	1	1	1	1	1	844
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	40.9	46.7	42.4	21.0	-	-	-	-	-	-	37.4
TOTAL ALL														
31	Gallons billed in 000 gallons	12,929	12,874	17,927	11,691	11,005	6,120	-	-	-	-	-	-	72,546
32	# of customers for Usage Billing	214	214	213	209	208	214	1	1	1	1	1	1	1,278
33	Average Usage per Customer (000) (L 31 / L 32)	60.4	60.2	84.2	55.9	52.9	28.6	-	-	-	-	-	-	56.8
Number of Customers for Monthly Charge														
34	# of Customers (1) CC	1	1	1	-	-	-							3
35	# of Customers (100) WA	1	1	1	-	1	1							
36	# of Customers (201) MIS	1	-	2	1	1	1							6
37	# of Customers (250)	203	205	201	197	196	197							1,199
38	# of Customers (251)	1	1	1	1	1	1							6
39	# of Customers (253)	1	1	1	1	1	1							6
40	# of Customers (254)	3	3	3	3	3	3							18
41	# of Customers (255)	3	2	2	2	2	2							13
42	# of Customers (257)	5	5	5	5	5	5							30
43	# of Customers (258)	2	2	2	2	2	2							12
44	# of Customers (260) TPI	14	6	-	-	-	-							20
45	Total Customers For Monthly Charge	233	225	217	212	211	212	-	-	-	-	-	-	1,310

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2007						2008						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
5/8" meter (200)														
1	Gallons billed in 000 gallons	5,784	6,433	7,050	7,421	6,303	4,064	4,529	4,400	6,181	6,316	6,574	6,964	72,019
2	# of customers for Usage Billing	197	186	187	188	187	186	206	187	188	186	187	187	2,262
3	Average Usage per Customer (000) (L 1 / L 2)	30.9	34.6	37.7	39.5	33.7	21.8	22.0	23.5	32.9	34.0	35.2	37.2	31.8
1.0" meter (201)- MIS														
4	Gallons billed in 000 gallons	353	2,714	2,548	2,892	2,643	1,723	1,515	2,072	2,369	1,928	-	4,970	25,727
5	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
6	Average Usage per Customer (000) (L 4 / L 5)	353.0	2,714.0	2,548.0	2,892.0	2,643.0	1,723.0	1,515.0	2,072.0	2,369.0	1,928.0	-	4,970.0	2,143.9
1.0" meter (202)														
7	Gallons billed in 000 gallons	936	1,778	1,564	1,473	968	369	467	1,069	1,824	1,001	1,681	225	13,365
8	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
9	Average Usage per Customer (000) (L 7 / L 8)	936.0	1,778.0	1,564.0	1,473.0	968.0	369.0	467.0	1,069.0	1,824.0	1,001.0	1,681.0	225.0	1,115.4
1.5" meter (203)														
10	Gallons billed in 000 gallons	872	1,881	1,741	1,961	1,864	960	1,092	1,927	2,069	1,697	1,661	1,537	19,202
11	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
12	Average Usage per Customer (000) (L 10 / L 11)	436.0	940.5	870.5	980.5	932.0	480.0	546.0	963.5	1,034.5	848.5	830.5	768.5	803.8
2.0" meter (204)														
13	Gallons billed in 000 gallons	640	1,324	965	896	747	288	413	478	681	814	983	833	9,082
14	# of customers for Usage Billing	2	2	2	2	2	2	2	2	2	2	2	2	24
15	Average Usage per Customer (000) (L 13 / L 14)	320.0	662.0	482.5	448.0	373.5	144.0	206.5	239.0	340.5	407.0	491.5	416.5	378.4
3.0" meter (205)														
16	Gallons billed in 000 gallons	2,314	7,764	5,666	6,816	4,726	2,812	3,906	3,681	5,911	3,124	126	6	46,874
17	# of customers for Usage Billing	3	3	3	3	3	3	3	3	3	3	3	3	36
18	Average Usage per Customer (000) (L 16 / L 17)	771.3	2,588.0	1,888.7	2,272.0	1,575.3	937.3	1,302.0	1,227.0	1,970.3	1,041.3	42.0	2.0	1,302.1
4.0" meter (206)														
19	Gallons billed in 000 gallons	174	558	301	760	460	270	235	231	352	329	180	228	4,078
20	# of customers for Usage Billing	7	7	7	7	7	7	7	7	7	7	7	7	84
21	Average Usage per Customer (000) (L 19 / L 20)	24.9	79.7	43.0	108.6	65.7	38.6	33.6	33.0	50.3	47.0	25.7	32.6	48.5

Molokai Public Utilities, Inc.
Summary Usage, and Customer Counts
Test Year Ending June 30, 2010

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		2007						2008						Fiscal Year Ended 6/30/08
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
"CC"														
22	Gallons billed in 000 gallons	428	851	978	1,220	657	503	489	627	851	580	591	572	8,347
23	# of customers for Usage Billing	1	1	1	1	1	1	1	1	1	1	1	1	12
24	Average Usage per Customer (000) (L 22 / L 23)	428.0	851.0	978.0	1,220.0	657.0	503.0	489.0	627.0	851.0	580.0	591.0	572.0	695.6
WA (100)														
25	Gallons billed in 000 gallons													-
26	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
27	Average Usage per Customer (000) (L 25 / L 26)	-	-	-	-	-	-	-	-	-	-	-	-	-
TPI (260)														
28	Gallons billed in 000 gallons													-
29	# of customers for Usage Billing	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Average Usage per Customer (000) (L 28 / L 29)	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ALL														
31	Gallons billed in 000 gallons	11,501	23,323	20,833	23,441	18,398	11,019	12,646	14,485	20,238	15,789	11,796	15,335	198,804
32	# of customers for Usage Billing	204	203	204	205	204	203	223	204	205	203	204	204	2,486
33	Average Usage per Customer (000) (L 31 / L 32)	56.4	114.9	102.1	114.3	90.2	54.3	56.7	71.0	98.7	77.8	57.8	75.2	80.6
Number of Customers for Monthly Charge														
34														
35	# of Customers (1) CC	1	1	1	1	1	1	1	1	1	1	1	1	12
36	# of Customers (100) WA			0							2	1	1	4
37	# of Customers (201) MIS													
38	# of Customers (250)	188	191	192	192	192	191	199	191	192	191	192	195	2,308
39	# of Customers (251)	1	1	1	1	1	1	1	1	1	1	2	0	12
40	# of Customers (253)	1	1	1	1	1	1	1	1	1	1	2	0	12
41	# of Customers (254)	3	3	3	3	3	3	4	3	3	3	2	3	38
42	# of Customers (255)	2	2	2	2	2	2	2	2	2	2	2	2	24
43	# of Customers (257)	5	5	5	5	5	6	6	6	5	5	5	5	65
44	# of Customers (258)	2	2	2	2	3	3	2	2	2	2	2	2	28
45	# of Customers (260) TPI	1	2	0										3
45	Total Customers For Monthly Charge	204	208	207	207	208	210	216	207	207	208	209	209	2,500

Molokai Public Utilities, Inc.
Revenue Phase In
Test Year Ending June 30, 2010

Line #	Description	[1] Meter Size	[2] # of Cust Bills Or Water Usage	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			PHASE 1 -- Revenue Increase			Phase 2 - Full Proposed Rates		
				Monthly Rate	Annual Revenue	Total Revenue	Monthly Rate	Annual Revenue	Total Revenue	Monthly Rate	Annual Revenue	Total Revenue	Monthly Rate	Annual Revenue	Total Revenue
					[2] * [3]			[2] * [6]			[2] * [9]			[2] * [12]	
1	Rate Increase Percent														
2	Phase 1 Revenue Increase Percent over "Present Rates"									75.0%				201.497%	
Monthly Customer Charge															
3	# of Customers (250)	5/8" Meter	2,398	\$11.25	\$ 26,978		\$11.25	\$ 26,978		\$28.00	\$ 67,144		\$34.00	\$81,532	
4	# of Customers (251)	1.0" Meter	12	\$15.00	180		\$15.00	180		\$38.00	456		\$45.00	540	
5	# of Customers (253)	1.5" Meter	12	\$22.50	270		\$22.50	270		\$57.00	684		\$68.00	816	
6	# of Customers (254)	2.0" Meter	36	\$37.50	1,350		\$37.50	1,350		\$94.00	3,384		\$113.00	4,068	
7	# of Customers (255)	3" Meter	26	\$75.00	1,950		\$75.00	1,950		\$188.00	4,888		\$226.00	5,876	
8	# of Customers (257)	6" Meter	60	\$225.00	13,500		\$225.00	13,500		\$565.00	33,900		\$678.00	40,680	
9	# of Customers (258)	8" Meter	24	\$375.00	9,000		\$375.00	9,000		\$942.00	22,608		\$1,131.00	27,144	
10	Sub-Total					\$53,228			\$53,228			\$133,064			\$160,656
11	Percent Increase in Usage Charges													202.079%	
Water Usage Charge															
12	Water Use for Test Year (000 gallons)		112,000	\$ 3.18	356,160		\$ 6.04	676,480		\$7.9996	895,955		\$9.6061	1,075,883	
13	Water Delivered to Wai'ola at Kualapuu Tap		26,000	\$ 1.1250	29,250		\$ 1.1250	29,250		\$2.8301	73,583		\$3.3984	88,358	
14	Total Water Sales		<u>138,000</u>												
15	Usage Revenue					385,410			705,730			969,538			1,164,241
16	Total Revenue					<u>\$ 438,638</u>			<u>\$ 758,958</u>			<u>\$ 1,102,602</u>			<u>\$ 1,324,897</u>
17	Revenue Increase To Temporary Rates							\$320,320							
18	Phase 1 Revenue Increase										\$ 343,644				
19	Phase 2 Revenue Increase												\$ 222,295		
20	Total Revenue Increase from Present Rates														\$886,259
21	Percent of Phase 1 Increase above Present Rates											151.4%			
22	Percent of Phase 1 Increase above Temporary Rates											45.3%			
23	Percent of Total revenue Increase over Present Rates														202.1%
24	Percent of Phase 2 Increase over Phase 1 Revenue Level														20.2%
25	Effective Revenue Increase from Phase 1 Revenue											60.72%			

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

EXHIBIT MPU-T-100

DIRECT TESTIMONY - ROBERT O'BRIEN

(44 Pages)

DIRECT TESTIMONY OF ROBERT L. O'BRIEN

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Q. Please state your name and business address.

A. My name is Robert O'Brien and my business address is 1753 Via Mazatlan, Rio Rico, Arizona 85648.

Q. By whom are you employed and what is your position?

A. I am the sole member of O'Brien Innovative Regulatory Solutions, LLC.

Q. Please describe your role in this proceeding.

A. I have been retained to assist Molokai Public Utilities, Inc. ("MPU" or the "Company") with the preparation and filing of their request for, among other things, general rate relief before the Public Utilities Commission of the State of Hawaii ("Commission") in this Docket.

Q. Please summarize your professional experience and educational background that relate to your presentation in this proceeding.

A. I formed O'Brien Innovative Regulatory Solutions in January 2008 on my retirement from Black & Veatch Corporation ("B&V"). Prior to January 2008, I was employed by B&V in its separate operating sector of the Enterprise Management Solutions as a Principal Consultant since January 2005 when B&V acquired R.J. Rudden Associates ("Rudden") where I was employed as a Vice President since January 2000. In my positions with B&V and Rudden, I have provided services to clients in the areas of Strategic Planning, State Regulatory Operations, Financial Planning, Administrative Cost Allocations, Rate Case

1 Preparation, Rate Case Management and Rate Case Model Design. Prior to
2 joining Rudden, I was employed by Citizens Communications Company
3 (formerly Citizens Utilities Company) ("Citizens") from 1975 to 1999, holding
4 the positions of Vice President, Strategic Planning and Regulatory Affairs for
5 Citizens' Public Utilities Sector (1997 to 1999) and Vice President, Corporate
6 Regulatory Affairs (1978 to 1997) and Manager of Special Studies (1975 to
7 1978). From 1967 to 1975, I was employed as a controller by companies in the
8 Printing, Educational, Financial and Communications industries. Prior to 1967, I
9 was employed by Ernst & Young and attained the status of Senior Auditor after
10 four years, including two years work experience during the 5-year work-study
11 program at the University of Cincinnati. I graduated from the University in 1965
12 with a Bachelor of Business Administration with a major in Accounting. I am a
13 Certified Public Accountant.

14 Q. Have you previously testified before the Commission or other regulatory
15 commissions?

16 A. Yes, I have testified before this Commission many times on behalf of Citizens'
17 Kauai Electric Division prior to 2000 and have presented testimony for 20 small
18 Hawaii water or wastewater utility companies since 2000. In all, I have testified
19 or presented testimony in over 200 proceedings before the state regulatory
20 commissions in Arizona, California, Colorado, Hawaii, Idaho, Illinois, Indiana,
21 Montana, Nevada, Ohio, Pennsylvania, Tennessee, Vermont and West Virginia
22 for utility operations of electric, natural gas, communications, water and sewer

1 utility companies. I have presented testimony in company specific proceedings
2 for general rate increases, commission ordered rate reviews, purchased energy
3 pass through proceedings, initial certification (aka CPCN) proceedings,
4 acquisitions and sales of utility companies, disaster relief requirements and
5 recovery of acquisition premiums. I have testified on the subjects of all rate base
6 elements including deferred income taxes and cash working capital and on
7 revenues, rate design and rate of return. In addition, I have testified regarding all
8 operating expenses including income taxes. Finally, I have testified in generic
9 proceedings related to income taxes, purchased energy pass through clauses and
10 changes in regulation of the communications and electric industries.

11 Q. What is the purpose of your testimony in this proceeding?

12 A. I will testify on behalf of MPU regarding:

- 13 1. The Company's organization, service territory, property and other matters;
- 14 2. The need for the revenue increase, the amount of the overall revenue
15 increase and other rate making matters;
- 16 3. The filing requirements;
- 17 4. The revenue requirement schedules;
 - 18 a. Overall Revenue Requirement;
 - 19 b. Rate base and related schedules;
 - 20 c. Revenues at present rates;
 - 21 d. Revenues at proposed rates;
 - 22 e. Operating expenses;

1 f. Depreciation expense;

2 g. Income Taxes;

3 h. Revenue and Other Taxes;

4 5. Rate of Return;

5 6. Rate Design;

6 7. Automatic Power Cost Adjustment Clause;

7 8. Fuel Cost Adjustment Clause; and

8 9. Revised Rules and Regulations.

9 I will also present testimony regarding operational and other areas impacted by
10 the rate case application including the reasons or justification for rate relief.
11

12 **ORGANIZATION, SERVICE TERRITORY, AND PROPERTY**

13 Q. Please provide a brief description of the Company's service territory.

14 A. MPU, a Hawaii corporation, is a public utility authorized by the Commission to
15 provide potable water service in the Kaluakoi area on the west end of the island of
16 Molokai, Hawaii. MPU is one of three affiliated entities under common
17 ownership by Molokai Properties Limited ("MPL"). MPU currently provides
18 potable water service to the Kaluakoi Resort, Ke Nani Kai and Paniolo Hale
19 Condominiums, Kaluakoi Villas, Papohaku Ranchlands and Moana Makani
20 subdivisions and Maui County parks. Applicant's authorized service territory is
21 set forth on Original Sheets 2A and 2B of MPU's "General Water Service Rules
22 and Regulations Covering the Supply of Water to Customers" issued on and

1 effective as of September 22, 2003, Decision and Order No. 20459 (hereinafter
2 referred to as either "Tariff" or "Rules and Regulations"). A summary description
3 of MPU's plant or property is provided in Exhibit MPU 1 and its most recent
4 financial statements (including its audited 2008 calendar year financial
5 statements) are included in Exhibit MPU 2, Schedules 4 and 5. The Company's
6 current base rates, other than its water consumption rate, were approved by the
7 Commission by Decision and Order No. 20342, issued on July 18, 2003, in
8 Docket No. 02-0371 ("D&O No. 20342"). The Company's current water
9 consumption rate was authorized by the Commission in its Order Approving
10 Temporary Rate Relief for Molokai Public Utilities, Inc. and Wai'ola O Moloka'i,
11 Inc. in Docket No. 2008-0115 issued on August 14, 2008 ("Temporary Rate
12 Order") as a temporary rate effective as of September 1, 2008.

13
14 **REVENUE INCREASE**

15 Q. Please describe the revenue increase the Company is requesting in this
16 proceeding.

17 A. As shown on Exhibit MPU 6, line 7, column 1, the total revenues for the test year
18 ended June 30, 2010 ("TY") at present rates are \$439,838 and the revenue
19 increase required is \$886,259 as shown on line 7, column 2. This results in a
20 revenue increase of approximately 201.50 percent as shown on line 38, which will
21 provide the Company with a recovery of its TY expenses and a return on its
22 average TY rate base of 2.00 percent.

1 Q. Do the revenues at present rates reflect the charges MPU is making to its
2 customers at this time?

3 A. No, they do not. The Company is currently charging customers under a
4 temporary water consumption charge authorized in Docket No. 2008-0115,
5 pursuant to the Temporary Rate Order.

6 Q. What is the difference between the present permanent rates and the temporary
7 rates authorized in Docket No. 2008-0115?

8 A. The only difference is that the present rates include a water consumption charge
9 of \$3.18 per thousand gallons while the temporary water consumption charge is
10 \$6.04 per thousand gallons.

11 Q. Have you prepared a schedule showing the revenues resulting from those rates?

12 A. Yes, I have. Exhibit MPU 11 shows the present rates and related annual revenue
13 (columns 3 to 5), the temporary rates and related annual revenue (columns 6 to 8),
14 and the proposed rates and related revenue (columns 9 to 11). As can be seen by
15 comparing columns 3 and 6, the only rate change under the temporary rates is the
16 water consumption rate on line 10.

17 Q. Is total revenue of \$1,326,097 shown on Exhibit MPU 6, column 3, line 7 the total
18 revenue the Company believes it is entitled to at this time?

19 A. No, the Company believes it is entitled to a return on its average TY rate base of
20 approximately 8.50 percent which is based on a recent settlement agreement
21 approved by the Commission and also on current capital costs.

1 Q. Why is the Company requesting a revenue increase that would provide it a return
2 on its average TY rate base of only 2.00 percent?

3 A. The Company recognizes that the revenue increase required to recover its
4 operating expenses by itself is significant, and wants to mitigate the impact on its
5 customers from this filing which follows closely with the temporary rate increase
6 authorized by the Commission in the Temporary Rate Order. The use of the 2.00
7 percent rate of return will provide a small return to the Company on its investment
8 to provide service to its customers while reducing the overall revenue requirement
9 and revenue increase required in this proceeding.

10 Q. Is the Company proposing any other measures to mitigate the impact of this
11 revenue increase on its customers?

12 A. Yes, the Company is also proposing to phase-in the revenue increase over two
13 periods. As described later, the Company is proposing a two stage phase-in
14 allowing six months between the initial increase and the second increase. While
15 this will mean that the Company will not receive the full revenue increase
16 requested until the last phase proposed to be effective on July 1, 2010 (assuming
17 the application is processed within the six-month period for small utilities, which
18 would make the first phase of the increase effective on or around January 1,
19 2010), the Company again feels this is proper to allow its customers to plan for
20 the overall revenue increase. The rates for each of those phases are shown on
21 Exhibit MPU 11.4 in columns 9 and 12.

22 Q. Why is the Company filing this request for a revenue increase at this time?

1 A. The Company's filing is in response to Ordering Paragraph 8 (Part III, subpart 8)
2 of the Temporary Rate Order. In addition, the Company is seeking to recover its
3 operating expenses and the 2.00 percent return on its investment for the TY ended
4 June 30, 2010.

5 Q. Is the Company requesting a rate increase of approximately 201.50 percent for all
6 of its currently approved rates?

7 A. Yes, it is. The Company has proposed an across-the-board increase in rates over
8 the present rates that were effective before the temporary rate increase in the
9 consumption charge. The change in rates is shown on Exhibit MPU 11.1
10 comparing column 1 (proposed rates) to column 3 (present rates).

11

12 **FILING REQUIREMENTS**

13 Q. Please describe Exhibit MPU 1.

14 A. Exhibit MPU 1 contains 3 pages, which include a brief description and listing of
15 the Company's property and equipment used to provide for the pumping,
16 treatment, and distribution of potable water to the Company's customers.

17 Q. Please describe Exhibit MPU 2.

18 A. This exhibit contains six schedules showing MPU's financial information.
19 Schedule 1 shows the Company's issued and outstanding stock. Schedule 2
20 presents the Common Stock outstanding as of the five years 2004 to 2008, while
21 Schedule 3 shows that the Company has no Security Agreements, Mortgages or
22 Deeds of Trust outstanding.

1 Q. Does the Company plan to execute any loans or other instruments of debt in the
2 near future?

3 A. No, the Company has no plans for such actions at this time.

4 Q. Please describe the remaining schedules in Exhibit MPU 2.

5 A. Schedule 4 presents the audited financial statements for the year ended December
6 31, 2008. Schedule 5 presents the unaudited financial statements for the
7 Company for the eleven months ended May 31, 2009, which are the latest
8 available. Finally, Schedule 6 shows that the Company does not currently have
9 any promissory notes, bonds, or other indebtedness.

10 Q. What is contained in Exhibit MPU 3?

11 A. Exhibit MPU 3 contains detail related to MPU's property and equipment and the
12 related accumulated depreciation at June 30, 2008, 2009 and 2010.

13 Q. Please describe Exhibits MPU 4 and MPU 5.

14 A. Exhibit MPU 4 shows the present rate schedule for MPU, while Exhibit MPU 5
15 sets forth the proposed rate schedule.

16

17 **REVENUE REQUIREMENT SUMMARY**

18 Q. Please describe Exhibit MPU 6.

19 A. This exhibit presents a summary of the results of operations at present and
20 proposed rates for the TY. In addition, it shows the rate of return at present rates,
21 the required revenue increase, and the resulting rate of return at the rates proposed
22 by the Company. The total revenue requirement of \$1,326,097 (line 7, column 3)

1 requires a revenue increase of \$886,259 (line 7, column 2), or approximately
2 201.50 percent (line 38), over the TY revenues at present rates of \$439,838 (line
3 7, column 1). This revenue requirement of \$1,326,097 is, as shown on Exhibit
4 MPU 11 at line 16, an increase of \$565,939 over revenue at the temporary rate
5 level currently being charged to customers pursuant to the Temporary Rate Order.

6 Q. Please describe the difference of \$2 between the calculated revenue requirement
7 increase of \$886,261 on line 37 in column 1 and the \$886,259 on line 7 in column
8 2 of Exhibit MPU 6.

9 A. This small difference is due to the fact that the \$886,259 is calculated using
10 monthly rates that are rounded to the nearest \$0.01 and water use rates that are
11 also rounded as shown on Exhibit MPU 11 while the \$886,261 is a calculation
12 that does not require rounding by customer charge or monthly usage rate. There
13 will usually be a small rounding difference between the calculated revenue
14 requirement, the \$886,261, and the revenue determined by the monthly and
15 commodity rates, \$886,259.

16 Q. Please describe Exhibit MPU 6.1.

17 A. This exhibit shows the calculation of the Gross Revenue Conversion Factor
18 ("GRCF") on lines 1 to 15 that is used to establish the revenue increase required.
19 It provides for the expenses that have to be recovered from increased revenue to
20 provide the net operating income increase required to have the opportunity to
21 achieve the rate of return determined reasonable in this proceeding. As shown on
22 lines 2 to 9, these expenses include bad debts, revenue taxes and income taxes.

1 Each of these expenses will vary with revenue levels. As shown on line 10, after
2 each of those expenses are deducted from revenue, there is 57.9247 percent of
3 revenue remaining for net income. This is used to determine the GRCF shown on
4 line 15 of 1.72638. As discussed in connection with the income tax calculation on
5 Exhibit MPU 7, the GRCF used on Exhibit MPU 6, line 36, of 1.7106 is slightly
6 lower than the GRCF calculated on line 15 of Exhibit MPU 6.1 because of the
7 operating loss for the Company at present rates in the TY.

8 Q. Please describe Exhibit MPU 7.

9 A. Exhibit MPU 7 shows the income tax expense calculation at present and proposed
10 rates. The Company has used the statutory rates applied to the taxable income in
11 its calculations. The income tax calculation is shown in columns 5 to 7 for the
12 revenue at present rates, the revenue increase and the revenue at proposed rates,
13 respectively. While each of the three calculations uses the taxable income
14 appropriate for the heading and the statutory rates, there is a small difference
15 between the total of the income taxes at present rates plus the income taxes on the
16 revenue increase and the calculated income taxes at proposed rates. Line 14
17 shows the state income taxes at present rates of (\$50,276) in column 5 and
18 \$51,849 for the revenue increase in column 6. The net total of these two
19 calculated state income tax amounts is \$1,574 which is \$492 higher than the
20 calculated state income taxes at proposed rates of \$1,082 shown in column 7 on
21 line 14. This is due to the fact that a greater portion of the taxable income for the
22 rate increase (columns 3 and 6) is included in the higher tax brackets than in the

1 calculation of revenues at proposed rates (columns 4 and 7). It is the negative
2 taxable income at present rates which creates the need for the larger revenue
3 increase to attain the target rate of return at proposed rates. A similar difference is
4 reflected in the calculation of the Federal income tax on line 22. The correct
5 income tax expense at proposed rates is the \$4,607 shown on line 23 in column 7
6 of Exhibit MPU 7. This is the same amount shown on Exhibit MPU 6, line 27,
7 column 3. In order to achieve this income tax expense at proposed rates and the
8 target rate of return of 2.00 percent, a GRCF of 1.7106 (Exhibit MPU 6, line 36,
9 column 1) is used in place of the GRCF on Exhibit MPU 6.1, line 15 of 1.72638.

10 Q. Is the use of a GRCF that is slightly different from the calculated one reasonable
11 for the calculations in this proceeding?

12 A. Yes, I believe it is. The objective of the GRCF is to provide for the income taxes
13 at proposed rates to achieve the rate of return found reasonable in this proceeding.
14 This is necessary because of the anomaly created by the negative earnings at
15 present rates, and provides an accurate calculation for the net operating income at
16 proposed rates. In this instance, the GRCF on Exhibit MPU 6, line 36 is adjusted
17 to attain the rate of return of 2.00 percent used to determine the revenue
18 requirement and rate increase. The income tax calculation at proposed rates
19 provides confirmation that the GRCF is correct.

20 Q. What is contained on Exhibit MPU 8?

21 A. This exhibit shows the calculation of taxes on revenue pro forma at present and
22 proposed rates.

1 Q. Please describe Exhibit MPU 9?

2 A. Exhibit MPU 9 presents a summary of the rate base elements at June 30, 2009 and
3 2010 and the average rate base for the TY. The average rate base for the TY is
4 \$996,161 as shown on line 14, column 3. Each of these elements will be
5 discussed in connection with the separate schedules for each of the rate base
6 elements in Exhibit MPU 9.

7 Q. Please describe Exhibit MPU 9.1.

8 A. This exhibit shows the summary rate base calculations at June 30, 2009 and
9 June 30, 2010 with pro forma adjustments that are the basis for the summary
10 schedule presented in Exhibit MPU 9.

11 Q. Please describe Exhibit MPU 9.2.

12 A. Exhibit MPU 9.2 presents the plant-in-service detail at June 30, 2008 and for the
13 years ended June 30, 2009 and 2010 used to support the data presented on Exhibit
14 MPU 9.1. MPU's plant additions budgeted for the fiscal year 2009 are shown in
15 column 3 on lines 25, 29 and 31. These include an addition to the backwash
16 system (line 25), meter reading equipment and meters (line 29) and replacement
17 vehicles (line 31). The total budget for the meter reading equipment and meters
18 of \$50,000 was split 60 percent for MPU and 40 percent for Wai'ola O Moloka'i
19 ("WOM") which will be included in the rate base additions for WOM. The
20 vehicle additions are part of a replacement program where the vehicle additions
21 for 2009 are included as part of MPU plant and the vehicle additions for 2010 are

1 included as part of WOM plant additions for 2010. MPU's plant additions
2 budgeted for the TY are shown in column 7 on lines 26 to 30.

3 Q. Please describe Exhibit MPU 9.3.

4 A. This exhibit shows the accumulated depreciation for the plant-in-service as shown
5 on line 33. The amounts for the beginning and end of the test year are in columns
6 6 and 10, respectively.

7 Q. What is contained on Exhibit MPU 9.4?

8 A. Exhibit MPU 9.4 contains the calculation of depreciation expense. The
9 depreciation expense for the test year is calculated in column 8 using the plant
10 balance in column 3 and the plant lives shown in column 4. The additions to
11 plant in the years ended June 30, 2009 and June 30, 2010 reflect one half year
12 depreciation in the year of acquisition. The total test year depreciation expense is
13 \$92,479 as shown on line 32 in column 8.

14 Q. Please describe Exhibit MPU 9.5.

15 A. This exhibit shows the Customer Deposits for the periods ending June 30, 2009
16 and 2010. The adjustment of \$7,363 in column 4 reflects the net decrease
17 resulting from two adjustments resulting from the audit work as of December 31,
18 2008. The balance of \$10,691 at June 30, 2009 and 2010 reflects the customer
19 deposits for the TY.

20 Q. What is contained on Exhibit MPU 9.6?

21 A. Exhibit MPU 9.6 shows the calculation of the accumulated deferred income taxes
22 ("ADIT") for the test year.

1 Q. What is ADIT?

2 A. The ADIT represents the Federal and State income tax on the difference between
3 the depreciation expense used in the calculation of income taxes on the
4 Company's income tax return ("tax depreciation") and the depreciation expense
5 calculated for financial statement purposes ("book depreciation"). In most
6 instances, the ADIT results in a reduction from rate base to reflect the fact that tax
7 depreciation results from accelerated depreciation methods and shorter
8 depreciable lives than those used for book depreciation.

9 Q. Does MPU file a separate Federal or State income tax return?

10 A. No, it does not. MPU is included in a consolidated Federal and State income tax
11 return filed by its parent company.

12 Q. What is the ADIT used in the rate base calculation for MPU?

13 A. The Company did not reflect any amount of ADIT in the calculation of the rate
14 base for MPU. As shown on Exhibit MPU 9.6, line 27 in columns 8 and 11, the
15 tax depreciation is less than the book depreciation reflected on line 28 which does
16 not result in any deferred income taxes and therefore no ADIT reduction to rate
17 base.

18 Q. What is contained on Exhibit MPU 9.7?

19 A. Exhibit MPU 9.7 shows the calculation of the Hawaii Capital Goods Excise Tax
20 Credit ("HCGETC") at the beginning and end of the TY, in columns 8 and 11,
21 respectively. The unamortized amounts at June 30, 2009 and 2010 of \$207,371
22 and \$191,264 (line 22, columns 8 and 11) respectively are included in the

1 determination of the average TY rate base on Exhibits MPU 9.1 (line 9, columns
2 1 and 3) and 9 (line 8, columns 1 and 2).

3 Q. Please describe Exhibit MPU 9.8.

4 A. This exhibit shows the calculation of the working capital using the formula
5 method which results in a working capital amount for the TY of \$92,587. This
6 method, which is used by the Commission for small utilities, uses one-twelfth of
7 the operating expenses as a surrogate for the working capital as shown on lines 17
8 to 19 of Exhibit MPU 9.8.

9 Q. What is working capital?

10 A. Working capital represents the funds that a utility must pay for the service it
11 provides to its customers before it receives payment from the customers for that
12 service.

13 Q. How can working capital be calculated?

14 A. There are several methods that can be used to determine the working capital
15 requirement for a utility. First, the method that is used mostly for small utilities,
16 such as MPU, is the formula method. Under this method, a factor is applied to
17 expenses and the result is used as an addition to rate base to represent the funds
18 provided by the investor. Another method is to conduct a lead-lag study which
19 measures the time it takes a customer to pay its bill for service and compares that
20 to the time it takes the utility to pay for providing the service. This process is
21 somewhat time consuming and generally not used for the smaller utilities.

1 Q. Does the formula method provide a reasonable amount of working cash for MPU
2 in this proceeding?

3 A. Yes, it does.

4 Q. What is contained on Exhibit MPU 10?

5 A. Exhibit MPU 10 presents a summary of the revenue and expense as recorded for
6 the years 2004 to 2008 and pro forma for the TY at present rates. The Company
7 has provided only total revenue for the years 2004 to 2008 because the Company
8 did not maintain its historic records to easily provide the detail shown in Exhibits
9 MPU 11 to 11.2 with regard to revenue or customers and usage data. However, as
10 described in connection with Exhibit MPU 11.2 and the related workpapers, the
11 Company has provided individual customer usage detail for the years ended
12 June 30, 2007 and June 30, 2008 and has prepared a comparative schedule
13 showing the monthly usage data for those years.

14 Q. Has Molokai Properties Limited (MPL) changed its procedures for charging
15 MPU and the other affiliated entities' utility operations for operating expenses
16 incurred on behalf of those companies recently?

17 A. Yes, it has. Prior to December 2008, MPL recorded some of the expenses
18 required to provide service to the customers of MPU and the other utilities owned
19 by MPL on the accounting records of MPL, and then charged portions of those
20 expenses to each of the affiliated companies including the utilities monthly. The
21 monthly charges to MPU and other utility companies were included as Costs of
22 Sales on the MPU and other utilities' accounting records as appropriate. The

1 charges for MPU are shown for the years 2004 to 2008 on Exhibit MPU 10, line
2 11 in columns 1 to 5. The Cost of Sales expenses for the TY, as shown in column
3 6 on line 11, have been reduced to zero for this charge and the separate expenses
4 have been included on the schedule specifically associated with that expense. For
5 example, as shown on Exhibit MPU 10.1, the Salaries and Wages ("S&W")
6 previously included in the Cost of Sales are reflected on line 4 for the years 2006
7 to 2008 and included in the pro forma amount for the TY on line 2. For example,
8 the TY total of \$145,601 which is calculated on Workpaper MPU 10.1 includes
9 both the direct S&W shown on line 2 and the S&W included in the Cost of Sales
10 as shown on line 4 for the years 2006 to 2008. The TY numbers include all S&W
11 expense for the services provided in the past. This is also true for the charges for
12 Employee Benefits on lines 8 to 12 and line 14, and for Payroll Taxes on lines 17
13 to 19 and line 21 of Exhibit MPU 10.1.

14 Q. Why did MPL change its procedures for charging these expenses to the utility
15 operations?

16 A. Since MPL ceased its non-utility operations on the island of Molokai, there was
17 no reason to charge certain costs to a centralized location and then distribute them
18 to utility and non-utility operations. All expenses are currently being directly
19 charged to each company with current operations on Molokai. If a charge needs
20 to be allocated, the allocation is completed before the charge is made to the
21 specific utility company. This procedure will reflect each expense in its category
22 and no expense in the Cost of Sales account.

1 Q. How will you show the historic expenses that were included in the Cost of Sales
2 as part of the expenses for the TY?

3 A. As shown on Exhibit MPU 10.4, I have segregated the Cost of Sales expense
4 amounts and listed each of the major expense categories. The charges for these
5 expense categories for the years 2004 to 2008 are shown in columns 2 to 6. There
6 is no charge included for the TY in column 7. Column 7 reflects the exhibit
7 number reference where those charges are included. Each of the charges will be
8 discussed in connection with the category expense schedule, such as for example,
9 S&W, Insurance and Communications.

10 Q. Please describe what is contained on Exhibit MPU 10.1.

11 A. Exhibit MPU 10.1 presents the S&W, Payroll Tax, and Employee Benefits
12 expenses for the years ended June 30, 2004 to 2008 and for the TY ended June 30,
13 2010. The calculations of each expense category for the TY are contained in
14 Workpaper MPU 10.1.

15 Q. Please describe the charges from MPL as shown on Exhibit MPU 10.1.

16 A. The S&W expense charged directly on MPU is shown on line 2 as Direct S&W
17 for the years 2004 to 2008 and for the TY in column 7. The S&W charged to
18 MPU through the Cost of Sales category is shown on line 4 for the years 2004 to
19 2008. There is no S&W charged to MPU through the Cost of Sales category in
20 the TY because all of the S&W is charged direct, as shown on Workpaper
21 MPU 10.1. The Employee Benefits charged direct are shown on lines 8 to 12
22 with the Employee Benefits charged through Cost of Sales shown on line 14. As

1 with the S&W, there are no Employee Benefits charges in Cost of Sales for the
2 TY on line 14, because they are all included in the direct charges on lines 8 to 12
3 as calculated on Workpaper MPU 10.1. Finally, the Payroll Taxes reflect the
4 same treatment on lines 17 to 21. The charges through Cost of Sales are reflected
5 on line 21 only for the historic years and the TY reflects all direct charges for
6 Payroll Taxes as supported by the calculations on Workpaper MPU 10.1.

7 Q. Please describe Workpaper MPU 10.1.

8 A. This workpaper contains three pages. Page 1 shows the calculation of the total
9 S&W expense for the test year and the distribution of the total to MPU, WOM
10 and MOSCO, a wastewater utility affiliated with MPU ("MOSCO"). Page 2
11 shows the distribution of the Payroll Taxes and Employee Benefits charged to
12 MPU. The calculation of each of the components for the test year is shown on
13 page 3. The S&W calculation for the TY, shown on lines 11 to 19, is based on
14 the employees currently working on the three operating utilities (MPU, WOM and
15 MOSCO) distributed based on the employees' time sheets in 2008. The percent
16 assigned to each utility for each employee is shown in columns 5, 6 and 7 and the
17 resulting S&W distribution is shown in columns 8, 9 and 10 for MPU, WOM and
18 MOSCO respectively. The S&W for the TY was increased by 3.0 percent to
19 allow for a wage increase on July 1, 2009. In addition, a provision was made for
20 a new employee hire effective July 1, 2009 who will work on needed maintenance
21 projects for each of the three utilities. The total S&W to MPU for the TY is

1 \$145,601 as shown on line 19 in column 8 on Workpaper MPU 10.1 and on
2 Exhibit MPU 10.1 on line 7, column 7.

3 Q. Is the pro forma TY amount for S&W for MPU reasonable?

4 A. Yes, the Company believes that the employee levels in 2009 and the TY are
5 required for the provision of safe and reliable service to the customers of MPU,
6 WOM and MOSCO and are accurately distributed based on the calculations
7 contained in Workpaper MPU 10.1. As shown on Exhibit MPU 10.1, line 7, the
8 total S&W has increased slightly over the total payroll for the year 2007, before
9 the reorganization was implemented. The total S&W for the TY is approximately
10 \$12,000 over the 2007 total S&W, which is equal to an annual increase of
11 approximately 3.0 percent.

12 Q. Please describe the calculations of the Payroll Taxes and Employee Benefits for
13 the TY.

14 A. Those calculations are shown on page 3 of Workpaper MPU 10.1 by employee
15 and by type of tax or benefit. Lines 1 to 14 show the calculations for the year
16 ended June 30, 2009 and lines 16 to 30 show the calculations for the TY. The
17 Company has included an increase of 5.0 percent (line 15) for the medical and
18 dental costs. The amounts by employee for the TY shown on lines 22 to 29 of
19 page 3 were brought forward to page 2 on lines 1 to 8 and distributed to MPU on
20 lines 10 to 17 using the percent by employee shown in column 1 on page 2. The
21 totals on line 18 of page 2 were brought forward to Exhibit MPU 10.1, column 7.

1 The TY total of \$64,264 is shown on page 2 of Workpaper MPU 10.1, column 11,
2 line 18 and also on Exhibit MPU 10.1 column 7, line 23.

3 Q. Why have the medical and dental charges shown on Exhibit MPU 10.1 on line 8
4 in column 7 for the TY increased?

5 A. This is due to the reorganization which has shown that the total benefit costs have
6 not been correctly allocated to the utility operations in the past. As shown on
7 page 3 of Workpaper MPU 10.1, the monthly medical premiums for each
8 employee are being directly charged to the utility operations for the employees
9 working on utility operations. The TY charges reflect this direct charge while the
10 prior years reflected a corporate allocation and, as shown by the TY calculations,
11 did not correctly charge the utilities.

12 Q. What is the total pro forma expense for the TY?

13 A. As shown on Exhibit MPU 10.1, line 24, column 7, the total expense for S&W,
14 Employee Benefits and Payroll Taxes is \$209,865 which is reasonable for the TY
15 for MPU.

16 Q. How were the electric and fuel expenses shown on Exhibit MPU 10.2
17 determined?

18 A. Exhibit MPU 10.2 presents the electric and fuel expense for the historic and TY
19 periods. The electric expense that was directly charged to MPU is shown on
20 line 1 and the electric expense included in the Cost of Sales is shown on line 2
21 and is also shown on Exhibit MPU 10.4, line 9 in columns 4 to 6. The TY
22 amount for electric expense is calculated on pages 1 and 2 of Workpaper MPU

1 10.2 which consists of 5 pages in total. Pages 3 to 5 of Workpaper MPU 10.2
2 show the data for the fuel expense calculation for the TY.

3 Q. Referring to Workpaper MPU 10.2, pages 1 and 2, please describe how the
4 electric expense for the TY was determined.

5 A. As shown on Workpaper MPU 10.2, page 2, the Company used the historic
6 energy usage and costs to develop the pro forma amounts for the TY. The data in
7 columns 1 to 4 show the data for the 500 hp pump at Mahana, which represents
8 approximately 80 percent of the total electric costs. The data has shown a
9 decrease in kWh usage from July 2006 to December 2008, which supports the
10 decrease in customer usage described by the Company in connection with TY
11 water use and revenue calculations for the TY. Line 42 shows the TY estimates
12 for kWh (columns 2, 6 and 10) and also the cost per kWh from the December
13 2008 billings (columns 4, 8 and 12). These amounts are shown on Workpaper
14 MPU 10.2, page 1. Referring to page 1, estimates for the four meter locations are
15 shown on lines 1 to 10 and the total pro forma expense for the TY, \$231,067, is
16 shown on line 11 and brought forward to Exhibit MPU 10.2 in column 7 on line 1.
17 Lines 12 to 14 of page 1 of Workpaper MPU 10.2 show the calculation of the
18 expense per kWh that will serve as the base for the Automatic Power Cost
19 Adjustment Clause ("APCAC").

20 Q. Is the Company proposing to implement an APCAC in this proceeding?

21 A. Yes. The APCAC will be described later in my testimony.

1 Q. Please describe the calculation of the fuel expense shown on line 4 of Exhibit
2 MPU 10.2.

3 A. Workpaper MPU 10.2 shows the calculation of the fuel expenses on pages 3 to 5.
4 Page 3 is a summary of the fuel costs based on the pro forma water sales to
5 customers and the related pumping expense at Well 17 which produces the water
6 to be sold to customers. Pages 4 and 5 show the detail of the fuel purchased from
7 July 2006 through December 2008 including the gallons of fuel delivered, the cost
8 of each delivery, the monthly water produced by Well 17 and the number of
9 gallons sold to customers.

10 Q. Please describe page 3 of Workpaper MPU 10.2.

11 A. Page 3 of Workpaper MPU 10.2 uses the pro forma sales to customers,
12 138,000 thousand gallons ("TG") as the start for the calculation of the fuel costs
13 for the TY. Line 2 shows an increase in water required to provide for the lost and
14 unaccounted ("L&U") water, which is based on the 12 months ended March 2007.
15 The rate of 15.8 percent in column 2 represents the L&U as a percent of water
16 consumed by customers shown on line 1. This is equivalent to the 9.3 percent of
17 water produced which is the normal presentation relationship.

18 Q. Why do you use two percents for the L&U?

19 A. Since we are determining the amount of production we need based on customer
20 usage estimates, we use the percent relationship to the customer usage to
21 determine the L&U which is shown on line 2. However, because the historic
22 percent of L&U is based on the production, the second calculation is required for

1 that comparison. For example, the TY estimate for L&U of 21,804 TG is
2 15.8 percent as a percent of water consumption and is 9.3 percent as a percent of
3 production.

4 Q. What is a reasonable level for the L&U for a water utility.

5 A. An L&U percent in the 10 percent range, based on production, is normally an
6 acceptable level.

7 Q. Please continue with your description of the calculations on page 3 of Workpaper
8 MPU 10.2.

9 A. Lines 4 and 5 show the water usage estimated for the treatment process. Line 6
10 presents the water that remains for customer usage after the change in storage
11 levels, the retention of water by the Molokai Irrigation System ("MIS") and the
12 water delivered to Kualapuu of 190,992 TG. Line 7 shows that we have assumed
13 no change in the storage levels for this calculation. Lines 9 and 10 show the
14 retention by MIS, which is a portion of the agreement with MIS for the use of
15 their facilities requiring a 10 percent retention of the water delivered to their
16 system. Finally, lines 12 to 14 show the water delivered to Kualapuu. The total
17 water production required to provide 138,000 TG for MPU's customers is
18 233,813 shown on line 15. Based on the average relationship between the gallons
19 pumped from Well 17 and the gallons of fuel delivered for the period July 2006 to
20 December 2008 as shown on pages 4 and 5, column 10, the pro forma estimated
21 of gallons of fuel required is 77,158. This is the result of multiplying the 33.0
22 percent per TG of water as shown on lines 15 to 17 of page 3. Finally, the

1 Company has used the most recent price in December 2008 of \$3.6616 to
2 determine the TY fuel cost of \$282,524 as shown on lines 17 to 19 of page 3,
3 which is also shown on Exhibit MPU 10.2, line 5.

4 Q. Please describe pages 4 and 5 of Workpaper MPU 10.2.

5 A. These pages show the fuel delivered, cost of fuel, water production from Well 17,
6 and water sales to customers by month for July 2006 to December 2008. The
7 average price per gallon of fuel is shown in column 4. The water pumped by
8 month is shown in column 8 and the customer usage shown in column 12. The
9 ratio of gallons of fuel per TG of water pumped is shown in column 10.

10 Q. Is the Company requesting that the Commission establish a pass through clause
11 for the purchased fuel expense in addition to the APCAC?

12 A. Yes, we are requesting that the Commission establish a Purchased Fuel
13 Adjustment Clause ("PFAC"), which would permit the Company to pass-through
14 increases or decreases in fuel prices to its customers in a manner similar to the
15 changes in electric costs.

16 Q. Please describe the PFAC the Company is proposing to establish for the fuel
17 expense incurred to pump water from Well 17?

18 A. The Company is requesting that the Commission establish a PFAC for the
19 changes in its fuel prices which would use the base cost per TG shown on line 20
20 of page 3 of Workpaper MPU 10.2.

21 Q. Please describe how the PFAC calculation would be made on a monthly basis.

1 A. The Company would calculate its fuel purchases for a month and divide that total
2 by the gallons of water billed to its customers for the same month. The resulting
3 current month cost per TG would be compared to the base cost per TG established
4 in this proceeding of \$2.0473 as shown on page 3 of Workpaper MPU 10.2 at
5 line 20. The difference between the current month's rate per TG would then be
6 multiplied by the revenue conversion factor of 1.068205 and the resulting rate per
7 TG would be applied to each customer's bill for the subsequent month. For
8 example, if the Current Month Fuel Cost is \$2.0000 per TG, the change would be
9 a decrease of \$0.0473 per TG which would be multiplied by the gross-up factor of
10 1.068205 and the resulting \$0.0525 would be applied to reduce the next monthly
11 customer bill. The monthly formula will be:

12
$$((\text{Current Month Fuel Costs} / \text{TG's}) - \$2.0473) * 1.068205).$$

13 Q. What is the 1.068205 factor?

14 A. The 1.068205 factor is the multiplier necessary for the Company to charge
15 customers for the PFAC and provide for the tax on gross revenues.

16 Q. Is this pass-through concept similar to the pass-through clauses for other power
17 cost adjustments in place for utilities and the changes in electric costs they incur?

18 A. Yes it is. The only difference is that the actual costs being adjusted are incurred
19 by the Company from a supplier of the commodity, which is not a regulated
20 company.

21 Q. Is there any precedent for an adjustment clause of this nature?

1 A. Yes. The pass-through clauses for the electric companies in the state have
2 provisions for the use of costs of the fuel and purchased energy used to produce
3 the kWh provided to customers, such as MPU. The Company believes the PFAC
4 will provide the same functions currently enjoyed by the electric utility
5 companies.

6 Q. How does this proposed PFAC differ from the APCAC being proposed by the
7 Company?

8 A. It does not differ in purpose. The PFAC, which is the same as the APCAC (i.e.,
9 pass-through of changes in the charges for the commodity used to provide service
10 to customers) will allow the Company to pass through changes in costs associated
11 with this major expense component to customers. The only difference is that it is
12 based on the costs of fuel delivered by the Company's fuel contractor, which is
13 similar to the source of the fuel components of the APCAC clauses currently used
14 by electric utilities in Hawaii, including Maui Electric Company, Limited, MPU's
15 electricity provider.

16 Q. Why do you think this pass-through PFAC should be adopted?

17 A. This PFAC would allow the Company to recover increases in fuel costs or pass
18 through decreases in fuel costs used to pump water to service customers back to
19 customers as those fuel costs change. As shown on Workpaper MPU 10.2, pages
20 4 and 5 in column 4, those costs have increased substantially from July 2006.

21 Q. Please describe Exhibit MPU 10.3.

1 A. This exhibit shows the annual cost for the services provided to MPU by the
2 Department of Agriculture related to the transportation of water from Well 17 to
3 the Company's Mahana pump station. The total costs for this service is the
4 \$12,038 monthly charge plus the 10 percent retainage of water described in
5 connection with Workpaper MPU 10.2, page 3. The annual amount related to the
6 monthly charge of \$12,038 is the \$144,456 shown in column 7 of Exhibit
7 MPU 10.3.

8 Q. What is contained on Exhibit MPU 10.4?

9 A. Exhibit MPU 10.4 shows the Cost of Sales expenses for the years 2004 to 2008
10 and also shows which schedules those costs have been included within this
11 presentation in column 7, TY 6/30/10. As discussed earlier, MPL has closed its
12 non-utility operations on the island of Molokai and has changed its accounting
13 procedures to reflect direct charges for all expenses associated with the operations
14 of the utilities. The old procedures included some direct charges to specific
15 expenses accounts, such as S&W, and some distributions of charges through a
16 Cost of Sales category. MPL has eliminated the Cost of Sales procedure and,
17 since December 2008, is charging expenses directly to the operating utility, MPU,
18 WOM or MOSCO. In order to correctly reflect these expenses in the TY and to
19 ensure they are not double counted or missed, column 7 shows the related exhibit
20 where these costs have been calculated for the TY. Each expense category will be
21 discussed in connection with those exhibits.

22 Q. Please explain Exhibit MPU 10.5.

1 A. This exhibit shows the historical expense for Materials & Supplies for the years
2 ended June 30, 2004 to 2008 and pro forma for the TY for the direct charges on
3 lines 1 to 4 with a TY amount of \$14,010 shown in column 7 on line 5. These TY
4 amounts were based on an average of the expenses for 2004 to 2008, which
5 should be used for the TY. The Materials & Supplies that were included in the
6 Cost of Sales are shown on lines 6 to 7 and reflect a TY amount of \$71,574 using
7 an average for the three years 2006 to 2008. These two components result in a
8 total TY pro forma expense of \$85,583 shown on line 10 in column 7.

9 Q. Please describe Exhibit MPU 10.6.

10 A. Exhibit MPU 10.6 shows the historical and pro forma amounts for Affiliated
11 Charges for the years ended June 30, 2004 to 2008. The TY amount reflects the
12 Company's historic level of charge for administrative services of \$800 per month.

13 Q. Is that level commensurate with the administrative services currently being
14 provided by MPL at this time?

15 A. No, it is not. The Company believes that the current level of support provided by
16 employees of MPL to MPU is greater than those provided in prior years and
17 should be increased. However, the Company does not have historic data to
18 support the current increased level of services for the TY and therefore is
19 maintaining the historical charge level instead of increasing it at this time.

20 Q. What is contained on Exhibit MPU 10.7?

21 A. Exhibit MPU 10.7 shows the Professional and Outside Service expenses,
22 including legal expenses, pro forma for the TY. An average of the historical level

1 for legal expense directly charged is shown on line 1, column 7, with a TY
2 amount of \$4,786. An average of the historical level for other Professional
3 Services is shown on line 2, column 7, with a TY amount of \$6,526. Both of
4 these amounts are based on the average of the expenses for the years ended June
5 30, 2004 to 2008. Professional Services expenses that were included in the Cost
6 of Sales are shown on line 6 with a TY amount of \$2,824 based on a three year
7 average of the historic amounts.

8 Q. Does the Company expect to incur legal and other Professional Services expenses
9 regarding current litigation and also for potential proceedings associated with the
10 production and transmission of water supplies?

11 A. Yes, it does.

12 Q. Please briefly describe those activities or proceedings.

13 A. The Company is currently involved in a proceeding before the Commission
14 brought by the County of Maui in Docket No. 2008-0116. In addition, the
15 Company could become involved in a permitting proceeding involving a water
16 use permit for Well 17 for withdrawing water from the Water Management Area,
17 as well as Department of Agriculture permitting related to the completion of a
18 transportation agreement through the MIS, which moves the water produced at
19 Well 17 to the Mahana pump station to be delivered to the Company's customers.

20 Q. Has the Company actually begun expending any funds related to these permitting
21 activities and other litigation?

1 A. Yes, the Company has been making expenditures regarding the County of Maui
2 litigation.

3 Q. Does MPU have any estimate of the total costs for these activities?

4 A. Yes. The Company believes that its expenditures on these proceedings will
5 escalate through and after the TY and is seeking to obtain Commission
6 authorization to defer these expenses for recovery in future rate cases.

7 Q. What is the total estimated expense for those activities and what is the current
8 estimate of the total litigation time?

9 A. The total expense estimate for all three cases ranges from approximately \$645,000
10 to \$970,000 with an estimate of 1 to 4 years for completion of these cases,
11 assuming there is no appeal or other related proceeding.

12 Q. Please describe the procedure the Company is recommending in this proceeding.

13 A. The Company is requesting that the Commission authorize the Company to defer
14 these expenses as they are incurred, and permit the Company to seek recovery of
15 the deferred expenses in a subsequent rate case.

16 Q. What is the pro forma TY expense for the legal and professional expense?

17 A. It is \$14,137 as shown on line 9 in column 7 on Exhibit MPU 10.7.

18 Q. Please describe what is presented on Exhibit MPU 10.8.

19 A. This exhibit shows the historical and pro forma amounts for Repairs and
20 Maintenance ("R&M") expenses directly charged to MPU on lines 1 and 2 and
21 the amounts included in the Cost of Sales charges to MPU on line 5. Line 1
22 shows the R&M expense for the utility plant and operating systems, which have

1 varied significantly over the last five years. Based on the current R&M
2 requirements at MPU, the Company believes that an average of these five years,
3 \$51,928 shown in column 7 should be used for the TY. The Company would also
4 use the same five-year average for the vehicle maintenance, which results in an
5 annual R&M expense for vehicles of \$3,228 as shown on line 2. The R&M
6 charges from MPL which had been included in the Cost of Sales for the years
7 2006 to 2008 have been included for the TY in the amount of \$10,657 as shown
8 on line 5 with a total R&M expense, pro forma for the TY of \$65,812.

9 Q. Please describe Exhibit MPU 10.9.

10 A. This exhibit shows the amount of Insurance expense allocated to MPU for the
11 years 2004 to 2008 and the summary of the pro forma amount for the TY.

12 Q. How were the allocations determined for the TY?

13 A. The TY expenses were based on estimates for the 2010 TY.

14 Q. Please describe Exhibit MPU 10.10.

15 A. This exhibit reflects the total Regulatory Expense and the annual amortization for
16 the rate case expense. The expense for each phase was estimated for Rate Case
17 Consulting, Legal, Travel and Other. The estimates for each expense element
18 were based on the experience of the regulatory consultant and attorneys retained
19 by the Company to assist in processing this application. These costs will be
20 updated and replaced with actual expenses and updated estimates as the case
21 proceeds. In the event the parties reach a settlement in this case and there is no

1 need for the Hearings and Briefing phase, those estimated costs should be
2 removed during the determination of the settlement revenue requirement.

3 Q. What is the total estimated Regulatory Expense for this rate case?

4 A. The total estimate for expenditures for this application, as shown on line 25 of
5 Exhibit MPU 10.10, is \$165,000. If there is no need for hearings in this case, the
6 estimated total would be \$125,000 which would remove the \$40,000 estimated on
7 lines 17 to 24 for the Hearings and Briefing phase. However, those amounts
8 could increase or decrease based on the actual and updated expenses as the rate
9 case proceeds.

10 Q. What is the amortization period recommended by the Company to recover the
11 regulatory expense?

12 A. The Company is recommending a three-year amortization period. The Company
13 plans to file more frequent rate cases to avoid significant rate increases and also to
14 obtain an increase in its rate of return to a level appropriate for ongoing earnings
15 for a regulated water utility.

16 Q. What is the amount of amortization that should be included in expense in this
17 proceeding?

18 A. That amount is \$55,000 as shown on Exhibit MPU 10.10, line 27.

19 Q. What is contained on Exhibit MPU 10.11?

20 A. This exhibit contains the General and Administrative expenses, estimated at
21 \$5,183 for the direct charges for the TY as shown on line 11. These expenses
22 include travel expenses, equipment rental, office supplies, communications,

1 postage, etc., and are based on the level of costs in prior years and are shown for
2 each of the expense categories separately. Lines 12 to 16 show the administrative
3 expense amounts that were included in the Cost of Sales from Exhibit MPU 10.4,
4 which totals \$8,135 for the TY. The Company believes that the total of these
5 expenses as shown on line 18 in column 7 of \$13,318 is reasonable for the TY.

6 Q. Please describe Exhibit MPU 11.

7 A. This exhibit contains a summary of the Company's annual revenues at present,
8 temporary and proposed rates for the monthly customer charge and for the
9 customer usage charges. The revenue increase percent, determined on Exhibit
10 MPU 6 is shown on line 1 in column 9. This is the factor used to increase the
11 present rates shown in column 3 to the proposed rates in column 9. Lines 2 to 8
12 reflect the revenue from the monthly customer charges at present rates by meter
13 size in columns 3 to 5, temporary rates in columns 6 to 8 and proposed rates in
14 columns 9 to 11. The revenue from customer usage is shown on lines 10 and 11
15 at present, temporary and proposed rates. The percent increase factor for the
16 usage charge shown on line 9 in column 9 of 202.079 percent, is slightly different
17 from the 201.497 percent shown on line 1, column 9, because of the rounding of
18 the monthly customer charge. This slight difference in the percent establishing
19 the proposed rates permits full recovery of the required revenue levels.

20 Q. Why have you included columns to show the revenue at temporary rates in your
21 revenue presentation?

1 A. I have included these columns to show the current impact on customers from the
2 rates currently being charged to customers (temporary rates) to the proposed rates.
3 While the percent increase shown in column 9 is calculated based on the present
4 rates pursuant to the Commission's Order issued on April 2, 2009 in this docket, I
5 think it is important to also show the actual current impact on customers using the
6 temporary rates.

7 Q. How were the customer bill and usage levels for the TY determined?

8 A. The customer billing and usage data was summarized by month for the period
9 July 2007 to December 2008 as shown by the data in Exhibit MPU 11.1. This
10 data was used to calculate the number of customers at each meter size and the
11 usage for all MPU customers and also for the water delivered to WOM for its
12 customers through the connection at Kualapuu.

13 Q. Please describe Exhibit MPU 11.1.

14 A. Exhibit MPU 11.1 contains 2 pages summarizing the customer usage for each 6
15 month period ending December 2007, June 2008 and December 2008. The data
16 supporting these summaries is contained in Exhibits MPU 11.2 and 11.3.

17 Q. Did the Company use the customer usage by meter size to project the usage for
18 the TY?

19 A. No, it did not. The Company summarized the customer usage into two categories.
20 First, as shown on lines 4 to 6, which is the meter providing water to WOM at the
21 Kualapuu connection, the Company used the average usage for those three six
22 month periods which resulted in a total of 26,000,000 gallons for the TY as shown

1 on line 4 in column 5. The Company then summarized the usage for the
2 remaining customers and calculated the TY amount in total. This is shown on
3 lines 31 to 33 of page 2.

4 Q. Why did the MPU group all of the remaining usage into one category for the TY
5 usage?

6 A. Effective with the September 1, 2008 temporary rate increase, all of the remaining
7 customers were billed at one rate no matter what meter size was being used by the
8 customer. The Company did not need to maintain records of water use by meter
9 size and therefore grouped all of the customer usage, other than the usage at the
10 Kualapuu connection, into one number.

11 Q. How did you calculate the TY usage for the remaining customers?

12 A. As shown on line 31 of page 2 of MPU Exhibit 11.1, there has been a consistent
13 decline in usage for each 6-month period in both total gallons used (line 31 from
14 95.6 million gallons to 77.4 million gallons to 59.2 million gallons) and in usage
15 per customer per month (line 33 from 78,000 gallons to 46,000 gallons). The
16 Company used the actual usage for the six months ended December 2008,
17 doubled that and reduced it by five percent. $(59,200,000 \text{ gallons} * 2 * 95\% =$
18 $112,000,000 \text{ gallons})$. The Company believes that this estimate is reasonable for
19 the TY for all customers other than the Kualapuu connection.

20 Q. How did you project the number of customers for the TY?

21 A. Lines 37 to 47 show the summary of customer bills for the same 6 month periods
22 by meter size. Since the customer levels have been relatively stable the Company

1 has retained the number of customers at a level equal to those billed during the six
2 months ended December 2008.

3 Q. How were these TY totals used in the determination of the revenue at present and
4 proposed rates?

5 A. The data from Exhibit MPU 11.1 was used on Exhibit MPU 11 to calculate the
6 revenues at present and proposed rates.

7 Q. Please describe Exhibits MPU 11.2 and MPU 11.3.

8 A. Exhibit MPU 11.2 contains 2 pages which show the monthly customer water use
9 and customer bills by meter size for the period July 2008 to December 2008 that
10 was used for the summaries on Exhibit MPU 11.1 and the calculation of revenue
11 at present and proposed rates. Exhibit MPU 11.3, containing 2 pages presents the
12 same data for the period July 2007 to June 2008.

13

14

RATE OF RETURN

15 Q. Please describe the rate of return ("ROR") used by the Company in this filing.

16 A. The Company believes a ROR of at least 8.50 percent would be appropriate based
17 on a review of Commission approvals of recent settlements in other water and
18 wastewater utility general rate case applications and on general financial
19 conditions existing currently. However, as discussed earlier in my testimony, the
20 Company is requesting revenue levels based on a ROR of 2.00 percent.

21 Q. Please briefly describe why the Company is requesting a ROR of 2.00 percent
22 when the Company believes a ROR of 8.50 percent is reasonable.

1 A. The Company wanted to mitigate the impact on its customers from this filing
2 which follows closely with the temporary rate increase authorized by the
3 Commission in the Temporary Rate Order. The use of the 2.00 percent rate of
4 return will provide a small return to the Company on its investment to provide
5 service to its customers while reducing the overall revenue requirement and
6 revenue increase required in this proceeding.

7 Q. What is the Company's position regarding reductions in revenue requirement
8 which would not be large enough to increase the ROR so that it exceeds the 8.50
9 percent the Company believes is reasonable?

10 A. The Company's position is that any changes in the Company's revenues, expenses
11 or rate base that would affect the ROR should not reduce the Company's revenue
12 requirement until those changes plus the requested revenue increase of \$886,259
13 exceeds the 8.50 percent ROR. For example, if this case is settled and the
14 Regulatory Expense amortization for the Hearings and Briefing stage is
15 eliminated, the Company's TY expenses would be reduced by \$13,333 and the
16 2.00 percent ROR would be increased to 2.8 percent. This procedure would not
17 penalize the Company for its willingness to set its proposed rates at a lower ROR
18 than is supportable in Hawaii regulatory proceedings and allow it to have a
19 revenue increase that covers the Company's operating expenses and a small return
20 on its investment.

RATE DESIGN AND RATE INCREASE PHASE-IN

1
2
3 Q. Have you prepared a cost study to establish the proposed rates and revenue
4 distributions?

5 A. No, I have not. The Company believes its existing rate structure which includes a
6 monthly fixed customer charge and a flat rate for water consumption is a
7 reasonable structure at this time.

8 Q. Is the Company proposing a phase-in of the requested revenue increase?

9 A. Yes, it is.

10 Q. Please describe the revenue increase phase-in the Company is proposing.

11 A. The Company is proposing a two-stage phase-in. As shown on Exhibit
12 MPU 11.4, the first phase would recover approximately 60 percent of the revenue
13 increase required above the temporary rates (line 25), which is equal to an
14 increase of approximately 151.4 percent (line 21) above revenues at present rates
15 and 45.3 percent (line 22) above revenues at temporary rates. This results in a
16 revenue increase for Phase 1 of \$343,664 (line 18). The second phase, which
17 would be effective six months after the initial increase, would be for the
18 remainder of the increase, \$222,295 (line 19). The total of the temporary revenue
19 increase (\$320,320 on line 17), the Phase 1 increase (\$343,644 on line 18) and the
20 Phase 2 increase (\$222,295 on line 19) equals the total increase from present rates
21 to proposed rates of \$886,259 in column 14 on line 20.

22 Q. Why has the Company selected these increase amounts for the phase-in?

1 A. The Company's proposal will permit the Company to recover most of its cash
2 expenses from the revenue increase in the first phase and then recover the
3 remaining expenses and the small return on investment from the remaining
4 increase in the second phase. This will provide the customers with a staged
5 increase, reducing rate shock and still provide the Company with sufficient
6 revenues to cover most of its cash operating expenditures from the initial increase.

7

8 **AUTOMATIC POWER COST ADJUSTMENT CLAUSE**

9 Q. Please describe the Company's proposal to establish an automatic power cost
10 adjustment clause (APCAC) to reflect changes in the cost of electric power from
11 the electric costs used to set base rates in this proceeding.

12 A. The Company proposes to establish an APCAC to recover increases or decreases
13 in electric costs incurred by the Company in providing water service to its
14 customers that uses the Company's actual electric costs and actual water sales to
15 customers. This procedure uses the electricity costs and the water usage for the
16 month to calculate the electricity cost per thousand gallons ("EC/TG") for a
17 current month ("Current Month Electric Cost"). The Base Electricity Cost, shown
18 on Exhibit MPU 10.2 of \$1.67440 per thousand gallons ("TG") is then deducted
19 from the monthly Current Month Electric Cost and the resulting amount is
20 multiplied by the gross-up factor to provide for the revenue taxes and that
21 resulting amount per TG is multiplied by each customer's monthly usage. For
22 example, if the Current Month Electric Cost is \$1.60000 per TG, the change

1 would be a decrease of \$0.07440 per TG which would be multiplied by the gross-
2 up factor of 1.068205 and the resulting \$0.07947 would be applied to reduce the
3 next monthly customer bill. The monthly formula will be:

4 $((\text{Current Month Electric Costs} / \text{TG's}) - \$1.07740) * 1.068205$.

5 Q. What is the 1.068205 factor?

6 A. The 1.068205 factor is the multiplier necessary for the Company to charge
7 customers for the APCAC and provide for the tax on gross revenues.

8
9 **REVISED RULES AND REGULATIONS**

10 Q. Is the Company proposing any changes to its Rules and Regulations?

11 A. Yes. In addition to proposed revisions to the Company's existing water rate
12 schedules to implement the proposed rate changes requested, as described in the
13 Application and Attachment 1, the Company proposes to amend or revise
14 Rule XX of its existing Rules and Regulations or Tariff to increase its service
15 reconnection fee from \$150.00.

16 Q. What is the reason for this change?

17 A. The existing reconnection fee is \$50.00 for reconnection during working hours, or
18 \$75.00 for reconnection at other than regular working hours. Both amounts are
19 too low to sufficiently allow the Company to recover its costs of having to
20 disconnect and then reconnect service. The proposed increase to \$150.00 is
21 intended to assist in defraying the costs associated with disconnecting and
22 reconnecting a customer's utility service.

1 Q. How did you come up with this new \$150.00 charge?

2 A. The \$150.00 charge was estimated by the Company to include the time for an
3 operations employee to physically visit the customer's premises twice, once to
4 disconnect and again to reconnect service plus the time for administrative
5 personnel to handle the necessary paperwork associated with the disconnection
6 and reconnection activity. In addition, the Company believes that the
7 reconnection could occur at a time when overtime rates would apply for the
8 operations personnel.

9 Q. How many customers have been charged the existing reconnection fee in the past
10 year?

11 A. To date, including during this past year, no customers of the Company have had
12 to be reconnected. However, in light of the recent economic downturn, the
13 Company recognizes the possibility that such reconnections may occur in the
14 future. Accordingly, the Company is seeking to increase this charge to an amount
15 that will at least allow the Company, as stated above, to partially offset the costs
16 that would be incurred as a result of disconnecting and reconnecting a customer's
17 utility service.

18 Q. Have you provided any calculations to show the increase in revenue that this
19 increase in charges would provide?

20 A. No. Because no reconnections have occurred, no revenues have been collected
21 for this charge. In addition, because the Company does not know that any

1 reconnections will occur in the future, no revenues from this fee have been
2 included for test year purposes.

3 Q. Does this complete your testimony at this time?

4 A. Yes, it does.

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

ATTACHMENT 1

PROPOSED REVISIONS TO
RULES & REGULATION

(2 Pages)

CHECK LIST SHEET

SHEET

REVISION

TITLE
CHECK LIST SHEET

FIRST REVISED

ORIGINAL

1

FIRST REVISED

2

FIRST REVISED

2A

ORIGINAL

2B

ORIGINAL

3

FIRST REVISED

4

FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

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FIRST REVISED

13

~~SECOND~~ FIRST
REVISED

14

FIRST REVISED

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FIRST REVISED

16

ORIGINAL

17

ORIGINAL

18

ORIGINAL

19

ORIGINAL

20

FIRST REVISED

20A

ORIGINAL

EXPLANATION OF SYMBOLS

- (C) To signify a changed regulation.
- (D) To signify a discontinued rate or regulation.
- (I) To signify an increase in the rate shown.
- (N) To signify a new rate or regulation.
- (R) To signify a reduction in the rate shown.
- (T) To signify a change in or addition of text, but not change in rate or regulation.
- (L) To signify material relocated from or to another part of tariff, but no change in rate or regulation.

When additional symbols are used, they are identified at the bottom of the individual page.

Issued: October 7, 2003
By: Harold Edwards, Senior Vice President

Effective: September 22, 2003
Decision and Order No. 20459
and Decision ()

The bonding jumper shall be installed in such a manner, as not to interfere with the installation or removal of any of the Company's facilities.

3. No grounding of direct current system to any portion of the water system shall be permitted. T

4. No grounding other than as provided in paragraph 2 hereof shall be made to any portion of the water system without the Company's written approval. T

5. The Company will not be responsible for the maintaining of a continuous metallic water piping system and reserves the right, without liability to public utility electric companies, electric consumers, or any other agency or individual, to create a physical break in its Service Connections and Mains, or to incorporate non-metallic pipes and appurtenances in its system and to make joints of any materials, without regard to their efficiency as conductors of electricity and without giving notice. T
T
T

6. Whenever grounding fault occurs and causes electrical current to flow into the pipeline system, the Customer shall have the corrections made immediately. Corrections not made will be subject to discontinuance of water service to the Customer. T
T
T

RULE XIX RESALE OF WATER

Unless specifically agreed upon by the Company in writing, the Customer shall not resell any water received by him from the Company. T

RULE XX RESTORATION OF WATER SERVICE

~~A labor and service charge will be made of \$150.00 will be made for reinstalling the meter and reconnecting and/or turning on water of service, during regular working hours or, \$75.00 for reconnection of service at other than regular working hours when the Customer has requested that the reconnection be made at other than regular working hours~~ T

RULE XXI INGRESS TO AND EGRESS FROM CUSTOMER'S PREMISES

Any authorized officer, employee, agent, or representative of the Company bearing proper credentials and identification shall have the right of ingress to T

DOCKET NO. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.

WORKPAPERS

(MPU 10.1 and 10.2)

(8 Pages)

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Workpaper MPU 10.1
Application Filed March 2009
Witness O'Brien
Page 1 of 3

Salaries & Wages Expense

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Line #	Description	Factor Or Reference	Hourly Rate	# of Hours	ANNUAL Salary/Wage [2] * [3]	Percent Charged To			S & W Charged To		
						MPU	WOM	MOSCO	MPU [4] * [5]	WOM [4] * [6]	MOSCO [4] * [7]
<u>Salaries & Wages - Year End 6/09</u>											
1	Employee # 1		\$ 28.85	2080	\$ 60,008	45%	45%	10%	\$ 27,004	\$ 27,003	\$ 6,001
2	Employee # 2		\$ 17.31	2080	36,005	43%	45%	12%	15,482	16,202	4,321
3	Employee # 3		\$ 13.45	2080	27,976	45%	40%	15%	12,589	11,191	4,196
4	Employee # 4		\$ 13.05	2080	27,144	45%	45%	10%	12,215	12,215	2,714
5	Employee # 5		\$ 11.37	2080	23,650	95%	5%	0%	22,468	1,182	-
6	Employee # 6		\$ 22.60	2080	47,008	70%	20%	10%	32,906	9,401	4,701
7	Employee # 7		\$ 14.00	2080	29,120	33%	34%	33%	9,610	9,900	9,610
8	Total	L 1 to L 7			<u>\$ 250,911</u>				<u>\$ 132,274</u>	<u>\$ 87,094</u>	<u>\$ 31,543</u>
9	Percent Payroll To Company	L8 , C8, C9, C10 / C4							<u>52.7%</u>	<u>34.7%</u>	<u>12.6%</u>

Salaries & Wages - Year End 6/10

10	Percent Wage Increase Effective 7/1/09		<u>3.0%</u>								
11	Employee # 1	C 2, L 1 * L 32	\$ 29.72	2080	\$ 61,818	45%	45%	10%	\$ 27,818	\$ 27,818	\$ 6,182
12	Employee # 2	C 2, L 2 * L 32	\$ 17.83	2080	37,086	43%	45%	12%	15,947	16,689	4,450
13	Employee # 3	C 2, L 3 * L 32	\$ 13.85	2080	28,808	45%	40%	15%	12,964	11,523	4,321
14	Employee # 4	C 2, L 4 * L 32	\$ 13.44	2080	27,955	45%	45%	10%	12,580	12,579	2,796
15	Employee # 5	C 2, L 5 * L 32	\$ 11.71	2080	24,357	95%	5%	0%	23,139	1,218	-
16	Employee # 6	C 2, L 6 * L 32	\$ 23.28	2080	48,422	70%	20%	10%	33,895	9,685	4,842
17	Employee # 7	C 2, L 7 * L 32	\$ 14.42	2080	29,994	33%	34%	33%	9,898	10,198	9,898
18	Employee # 8		\$ 10.00	2080	20,800	45%	40%	15%	9,360	8,320	3,120
19	Total	Sum L 11 to L 18			<u>\$ 279,240</u>				<u>\$ 145,601</u>	<u>\$ 98,030</u>	<u>\$ 35,609</u>
20	Percent Payroll To Company	L819, C8, C9, C10 / C4							<u>52.1%</u>	<u>35.1%</u>	<u>12.8%</u>

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Workpaper
Application Filed March 2009
Witness
Page 2
MPU 10.1
O'Brien
of 3

Employee Benefit & Payroll Tax Expense

Line #	Description	[1] Factor Or Reference	[2] FICA	[3] FUTA	[4] SUI	[5] Medical	[6] Dental	[7] Work Comp [4]*[5]	[8] TDI [4]*[6]	[9] LTDI [4]*[7]	[10] Group Life	[11] Total
Employee Benefits - Year Ended 6-30-10												
1	Employee # 1		\$ 4,729.08	\$ 56.00	\$ 209.30	\$ 10,008.00	\$ 1,140.00	\$ 5,401.35	\$ 340.00	\$ 327.50	\$ 148.36	\$22,359.59
2	Employee # 2		2,837.08	56.00	209.30	6,672.00	756.00	3,240.39	203.97	196.48	89.01	14,260.22
3	Employee # 3		2,203.81	56.00	209.30	10,008.00	372.00	2,517.10	158.44	152.62	69.14	15,746.42
4	Employee # 4		2,138.56	56.00	209.30	10,008.00	372.00	2,442.57	153.75	148.10	67.09	15,595.37
5	Employee # 5		1,863.31	56.00	209.30	10,008.00	372.00	2,128.19	133.96	129.04	58.46	14,958.26
6	Employee # 6		3,704.28	56.00	209.30	3,336.00	372.00	4,230.87	266.32	256.53	116.21	12,547.52
7	Employee # 7		2,294.54	56.00	209.30	10,008.00	-	232.45	164.97	158.90	71.99	13,196.15
8		0	1,591.20	56.00	209.30	10,008.00	756.00	1,817.40	114.40	110.20	49.92	14,712.42
9	Total		<u>\$ 21,362</u>	<u>\$ 448</u>	<u>\$ 1,674</u>	<u>\$ 70,056</u>	<u>\$ 4,140</u>	<u>\$ 22,010</u>	<u>\$ 1,536</u>	<u>\$ 1,479</u>	<u>\$ 670</u>	<u>\$ 123,376</u>

Distribution to MPU

10	Employee # 1	45%	2,128	25	94	4,504	513	2,431	153	147	67	10,062
11	Employee # 2	43%	1,220	24	90	2,869	325	1,393	88	84	38	6,131
12	Employee # 3	45%	992	25	94	4,504	167	1,133	71	69	31	7,086
13	Employee # 4	45%	982	25	94	4,504	167	1,099	69	67	30	7,017
14	Employee # 5	95%	1,770	53	199	9,508	353	2,022	127	123	56	14,211
15	Employee # 6	70%	2,593	39	147	2,335	260	2,962	186	180	81	8,783
16	Employee # 7	33%	757	18	69	3,303	-	77	54	52	24	4,354
17	Employee # 8	45%	716	25	94	4,504	340	818	51	50	22	6,620
18	Total		<u>\$ 11,138</u>	<u>\$ 234</u>	<u>\$ 881</u>	<u>\$ 36,031</u>	<u>\$ 2,125</u>	<u>\$ 11,935</u>	<u>\$ 799</u>	<u>\$ 772</u>	<u>\$ 349</u>	<u>\$ 64,264</u>

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Workpaper MPU 10.1
Application Filed March 2009
Witness O'Brien
Page 3 of 3

Employee Benefit & Payroll Tax Expense

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]
Line #	Description	Annual Wages	FICA	FUTA	SUI	Medical	Dental	Work Comp	TDI	LTDI	Group Life	Total
Employee Benefits - Year Ended 6-30-09												
1	Factor, Months or Rate		6.20%	0.80%	1.61%	12	12	1.25	0.0055	6.36	0.24	
2	Rate or Limitation		0.0145	\$ 7,000	\$ 13,000			0.62		0.0833		
3	Rate or Limitation							6.99				
4	Family, per month					\$ 794	\$ 90					
5	Two Insured, per month					\$ 529	\$ 60					
6	One Insured, per month					\$ 265	\$ 30					
7	Employee # 1	\$ 60,008	\$ 4,590.61	\$ 56.00	\$ 209.30	\$ 9,527.76	\$ 1,081.80	\$ 5,243.20	\$ 330.04	\$ 317.92	\$ 144.02	\$ 21,500.65
8	Employee # 2	36,005	2,754.38	56.00	209.30	6,351.84	716.16	3,145.94	198.03	190.75	86.41	13,708.81
9	Employee # 3	27,976	2,140.16	56.00	209.30	9,527.76	358.08	2,444.40	153.87	148.21	67.14	15,104.93
10	Employee # 4	27,144	2,076.52	56.00	209.30	9,527.76	358.08	2,371.71	149.29	143.81	65.15	14,957.61
11	Employee # 5	23,650	1,809.23	56.00	209.30	9,527.76	358.08	2,066.42	130.08	125.29	56.76	14,338.91
12	Employee # 6	47,008	3,596.11	56.00	209.30	3,175.92	358.08	4,107.32	258.54	249.04	112.82	12,123.14
13	Employee # 7	29,120	2,227.68	56.00	209.30	9,527.76		225.68	160.16	154.27	69.89	12,630.74
14	Total	\$ 250,911	\$ 19,195	\$ 392	\$ 1,465	\$ 57,187	\$ 3,230	\$ 19,605	\$ 1,380	\$ 1,329	\$ 602	\$ 104,365
15	Percent increase in Benefits for Test Year Ended 6-30-10					5.0%	5.0%					
Employee Benefits - Year Ended 6-30-10												
16	Factor, Months or Rate		6.20%	0.80%	1.61%	12	12	1.25	0.0055	6.36	0.24	
17	Rate or Limitation		0.0145	\$ 7,000	\$ 13,000			0.62		0.0833		
18	Rate or Limitation							6.99				
19	Family, per month					\$ 834	\$ 95					
20	Two Insured, per month					\$ 556	\$ 63					
21	One Insured, per month					\$ 278	\$ 31					
22	Employee # 1	\$ 61,818	\$ 4,729.08	\$ 56.00	\$ 209.30	\$ 10,008.00	\$ 1,140.00	\$ 5,401.35	\$ 340.00	\$ 327.50	\$ 148.36	\$ 22,359.59
23	Employee # 2	37,086	2,837.08	56.00	209.30	6,672.00	758.00	3,240.39	203.97	196.48	89.01	14,260.22
24	Employee # 3	28,808	2,203.81	56.00	209.30	10,008.00	372.00	2,517.10	158.44	152.62	69.14	15,746.42
25	Employee # 4	27,955	2,138.56	56.00	209.30	10,008.00	372.00	2,442.57	153.75	148.10	67.09	15,595.37
26	Employee # 5	24,357	1,863.31	56.00	209.30	10,008.00	372.00	2,128.19	133.96	129.04	58.46	14,958.26
27	Employee # 6	48,422	3,704.28	56.00	209.30	3,338.00	372.00	4,230.87	266.32	256.53	116.21	12,547.52
28	Employee # 7	29,994	2,294.54	56.00	209.30	10,008.00		232.45	164.97	158.90	71.99	13,196.15
29	Employee # 8	20,800	1,591.20	56.00	209.30	10,008.00	758.00	1,817.40	114.40	110.20	49.92	14,712.42
30	Total	\$ 279,240	\$ 21,362	\$ 448	\$ 1,674	\$ 70,056	\$ 4,140	\$ 22,010	\$ 1,536	\$ 1,479	\$ 670	\$ 123,376

ELECTRIC CHARGES

		[1]	[2]	[3]	[4]
Line #	Description	Factor Or Reference	Amount	Sub-Total	Total
<u>Mahana 500 HP pump</u>					
1	Pro Forma kWh usage		600,000		
2	Total Cost Per kWh		\$ 0.31240		
3	Pro Forma Expense			\$ 187,440	
<u>Puunana</u>					
4	Pro Forma kWh usage		70,000		
5	Total Cost Per kWh		\$ 0.44712		
6	Pro Forma Expense			\$ 31,298	
<u>Palaau</u>					
7	Pro Forma kWh usage		25,000		
8	Total Cost Per kWh		\$ 0.47360		
9	Pro Forma Expense			\$ 11,840	
<u>Mahana 200 HP pump</u>					
10	Pro Forma Expense			\$ 489	
11	Total Pro Forma Electric Expense				\$ 231,067
12	Total Pro Forma Electric Expense		\$ 231,067		
13	Total kWh		695,000		
14	Total Cost Per kWh			\$ 0.3325	

ELECTRIC CHARGES

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
Line #	Description	# of Days	KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	KWH Usage	Total Charge	KWH Usage	Total Charge	Charge Per KWH
			Mahana 500 HP pump				Puunana				Palaau			Mahana 200 HP pump		TOTAL		
			KWH	Total	Charge		KWH	Total	Charge		KWH	Total	Charge	KWH	Total	KWH	Total	Charge
			Usage	Charge	Per KWH		Usage	Charge	Per KWH		Usage	Charge	Per KWH	Usage	Charge	Usage	Charge	Per KWH
	LARGE POWER RATE						PUUNANA-Pole 11 (previously charged to MPL)				PALAAU (previously charged to MPL)							
1	7/25/06	30	79,200	\$ 19,508	0.246310									\$ 169	79,200	\$ 19,677	0.248450	
2	8/25/06	30	79,200	19,500	0.246210									169	79,200	19,669	0.248350	
3	9/25/06	31	79,200	19,467	0.245900									170	79,200	19,637	0.247940	
4	10/25/06	30	61,600	14,946	0.242630									169	61,600	15,115	0.245370	
5	11/24/06	30	47,200	11,373	0.240950									169	47,200	11,542	0.244530	
6	12/26/06	32	62,400	14,085	0.225720									170	62,400	14,255	0.228450	
7	1/24/07	29	61,600	13,089	0.212480									169	61,600	13,258	0.215230	
8	2/23/07	30	68,000	14,445	0.212430									169	68,000	14,614	0.214910	
9	3/24/07	29	65,600	13,681	0.208550									170	65,600	13,851	0.211140	
10	4/25/07	32	80,800	16,848	0.208510									169	80,800	17,017	0.210610	
11	5/24/07	29	77,600	16,563	0.213440									169	77,600	16,732	0.215620	
12	6/25/07	32	68,000	14,757	0.217010									38	68,000	14,795	0.217580	
13	Total 6-30-07		830,400	\$ 188,262	0.226710									-	\$ 1,900	830,400	\$ 180,162	0.229000
14	7/25/07	30	37,600	8,765	0.233110									38	37,600	8,803	0.234130	
15	8/24/07	30	81,600	19,538	0.239440									38	81,600	19,576	0.239900	
16	9/25/07	32	83,200	20,301	0.244000									38	83,200	20,339	0.244460	
17	10/25/07	30	82,400	19,461	0.236180									38	82,400	19,499	0.236640	
18	11/26/07	32	74,400	17,847	0.239880									38	74,400	17,885	0.240390	
19	12/26/07	30	44,800	11,736	0.261960									38	44,800	11,774	0.262820	
20	1/25/08	30	49,600	13,702	0.276250									41	49,600	13,743	0.277070	
21	2/26/08	32	74,400	20,851	0.277560									41	74,400	20,691	0.278110	
22	3/26/08	29	73,600	20,376	0.276850									41	73,600	20,417	0.277400	
23	4/24/08	29	60,000	16,950	0.282490									41	60,000	16,990	0.283170	
24	5/27/08	33	59,200	17,655	0.298230									41	59,200	17,696	0.298910	
25	6/25/08	29	48,000	15,141	0.315450									41	48,000	15,182	0.316290	
26	Total 6-30-08		768,800	\$ 202,123	0.262910									-	\$ 473	768,800	\$ 202,596	0.263520
27	7/25/08	30	50,400	17,398	0.345210									41	50,400	17,439	0.346010	
28	8/26/08	32	61,600	22,872	0.371310									41	61,600	22,913	0.371970	
29	9/25/08	30	37,600	14,784	0.393200									41	37,600	14,825	0.394280	
30	10/27/08	32	40,000	14,564	0.364090	30	10,320	5,444	0.527540					41	50,320	20,048	0.398420	
31	11/23/08	29	31,200	10,648	0.341270	31	7,680	3,550	0.463450	29	3,985	2,005	0.503200	41	42,845	16,244	0.379120	
32	12/26/08	31	23,200	7,248	0.312400	30	6,020	2,692	0.447120	31	2,121	1,005	0.473600	41	31,341	10,985	0.350490	
33	1/25/09													-	-	-	-	
34														-	-	-	-	
35														-	-	-	-	
36														-	-	-	-	
37														-	-	-	-	
38														-	-	-	-	
39	Total 6-30-09		244,000	\$ 87,514	0.358660		24,000	\$ 11,686	0.486910		6,106	\$ 3,010	0.492920	-	\$ 244	274,106	\$ 102,454	0.373770
	Pro Forma 6-30-09																	
40	Sum 12 months 6-30-09		650,000		0.312400		80,000		0.447120		36,000		0.473600					
41	Pro Forma Expense			\$ 203,060				\$ 35,770				\$ 17,050			\$ 489			
	Pro Forma for TY																	
42	Usage and Rate		600,000		0.312400		70,000		0.447120		25,000		0.473600					
43	Expense			\$ 187,440				\$ 31,298				\$ 11,840			\$ 489			

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Workpaper MPU 10.2
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Witness O'Brien
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Fuel Expense

		[1]	[2]	[3]	[4]
Line #	Description	Factor Or Reference	Amount	Sub-Total (000) gallons	Total
<u>Usage at Kaluakoi</u>					
1	Kaluakoi pro forma test year water usage			138,000	
2	Lost & Unaccounted Water - Based on Billed Water Usage		15.8%	21,804	
3	Percent based on Total Production	9.3%			
4	Water Treatment Water Usage Percent of Customer Usage		22.6%	31,188	
5	Percent based on Total Production	13.3%			
6	Water before Storage and MIS & Kualapuu			190,992	
<u>Change in Storage</u>					
7	Change in Storage Facilities			-	
8	Total before MIS and Kualapuu			190,992	
<u>MIS Retention</u>					
9	MIS Retention at 10% of Water delivered to MIS		11.111%	21,221	
10	Percent based on Water Delivered to MIS	10.0%			
11	Water delivered to MIS			212,213	
<u>Kualapuu Usage</u>					
12	Kualapuu pro forma test year water usage			18,000	
13	Lost & Unaccounted Water - Based on Billed Water Usage		20.00%	3,600	
14	Percent Based on Total Water delivered to Kualapuu	16.7%			
15	Production Requirement from Well 17			233,813	
16	Gallons of fuel ratio to gallons of water produced			33.00%	
17	Gallons of Fuel Required for Test Year Production				77,158
18	Cost per gallon				\$ 3.66162
19	Pro forma Fuel Cost				<u>\$ 282,524</u>
20	Fuel Cost per 1,000 gallons sold	L 19 / L 1		\$ 2.0473	

Fuel Costs for Pumping at Well # 17

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]
Line #	Description	Fuel Gallons Delivered	Total Invoice Cost	Cost Per Gallon	Change in Cost Per Gallon	# of Days Between Fuel Delivery	Gallons Used Per Day	Water Pumped Thousand Gallons	Month	Gallon of Fuel Per (000) gal Water Pumped	Cost Per (000) gallons Water Pumped	(000) Gallons Billed To Customers		
				[2]/[1]	[3] Diff Prior Delivery Cost	[1] Days from Last Delivery	[2]/[6]			[2]/[8]	[3]/[8]			
1	7/12/06	3,954	11,211	\$ 2.835										
2	7/18/06	3,954	11,211	\$ 2.835		6	659	20,651	Jul-06					
3	8/3/06	3,946	11,495	\$ 2.913	0.078	16	247							
4	8/10/06	3,952	11,415	\$ 2.888	(0.025)	7	565							
5	8/22/06	3,946	11,398	\$ 2.888	0.000	12	329							
6	8/29/06	3,948	11,403	\$ 2.888	(0.000)	7	564	41,050	Aug-06					
7	9/12/06	3,950	11,409	\$ 2.888	0.000	14	282							
8	9/22/06	3,949	11,406	\$ 2.888	(0.000)	10	395							
9	9/29/06	3,954	11,421	\$ 2.888	0.000	7	565	34,054	Sep-06					
10	10/10/06	3,954	11,421	\$ 2.888		11	359							
11	10/25/06	3,957	10,935	\$ 2.763	(0.125)	15	264	34,110	Oct-06					
12	11/1/06	3,954	10,927	\$ 2.764	0.000	7	565							
13	11/16/06	3,956	10,932	\$ 2.763	(0.000)	15	264	20,531	Nov-06					
14	12/4/06	3,962	10,949	\$ 2.764	0.000	18	220							
15	12/18/06	3,965	10,957	\$ 2.763	(0.000)	14	283							
16	1/3/07	3,969	10,968	\$ 2.763	(0.000)	16	248	28,457	Dec-06					
17	1/11/07	3,958	10,938	\$ 2.764	0.000	8	495							
18	1/24/07	3,956	10,932	\$ 2.763	(0.000)	13	304	28,876	Jan-07					
19	2/13/07	3,969	10,964	\$ 2.762	(0.001)	20	198							
20	2/21/07	3,966	10,956	\$ 2.762	0.000	8	496							
21	2/27/07	3,960	10,939	\$ 2.762	(0.000)	6	660	31,914	Feb-07					
22	3/12/07	3,956	10,926	\$ 2.762	0.000	13	304							
23	3/20/07	3,958	10,934	\$ 2.763	0.000	8	495							
24	4/4/07	3,958	10,934	\$ 2.763		15	264	25,313	Mar-07					
25	4/15/07	3,962	10,945	\$ 2.762	(0.000)	11	360							
26	4/20/07	3,958	10,934	\$ 2.763	0.000	5	792							
27	5/2/07	3,963	11,695	\$ 2.951	0.189	12	330	31,258	Apr-07					
28	5/10/07	3,958	11,680	\$ 2.951	(0.000)	8	495							
29	5/18/07	3,962	11,692	\$ 2.951	0.000	8	495							
30	6/4/07	3,958	12,350	\$ 3.120	0.169	17	233	30,272	May-07					
31	6/11/07	3,954	11,792	\$ 2.982	(0.138)	7	565							
								28,621	Jun-07					
32	12 mos end 6/07	122,666	\$ 348,071					350,907		0.35	\$ 0.99			
33	7/23/07	3,953	11,828	\$ 2.992	0.010	42	94							
34	7/30/07	3,954	11,831	\$ 2.992	0.000	7	565	17,915	Jul-07			11,501	64%	
35	8/7/07	3,951	11,822	\$ 2.992	(0.000)	8	494							
36	8/16/07	3,947	12,016	\$ 3.044	0.052	9	439							
37	8/27/07	3,951	12,028	\$ 3.044	(0.000)	11	359	39,372	Aug-07			23,323	59%	
38	9/7/07	3,957	12,046	\$ 3.044	(0.000)	11	360							
39	9/17/07	3,952	12,031	\$ 3.044	0.000	10	395							
40	9/27/07	2,553	7,905	\$ 3.096	0.052	10	255	39,030	Sep-07			20,833	53%	
41	10/8/07	3,948	12,224	\$ 3.096	(0.000)	11	359							
42	10/15/07	3,952	12,566	\$ 3.180	0.083	7	565							
43	10/25/07	3,962	12,568	\$ 3.180	0.000	10	396	34,486	Oct-07			23,441	68%	
44	11/5/07	3,965	12,807	\$ 3.180	(0.000)	11	360							
45	11/14/07	3,956	13,221	\$ 3.342	0.162	9	440							
46	12/11/07	3,969	13,964	\$ 3.523	0.181	27	147	34,988	Nov-07			18,398	53%	
47	12/27/07	3,967	13,977	\$ 3.523	0.000	16	248							
48								19,799	Dec-07			11,019	56%	

Fuel Costs for Pumping at Well # 17

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VERIFICATION

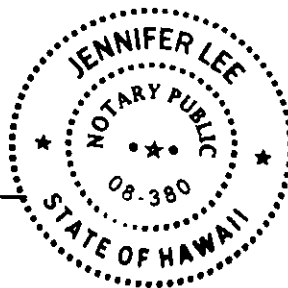
STATE OF HAWAII)
) SS.
CITY AND COUNTY OF HONOLULU)

MICHAEL H. LAU, being first duly sworn, deposes and says: That he is an attorney for Applicant in the above proceeding; that the officers of Applicant are not present within the City and County of Honolulu; that he has read the foregoing Amended Application, and knows the contents thereof; and that the same are true of his own knowledge except as to those matters stated on information and belief, and that as to those matters he believes them to be true.


MICHAEL H. LAU

This 1 page Verification to Molokai Public Utilities, Inc.'s Amended Application dated June 29, 2009 was subscribed and sworn to before me on June 29, 2009 in the First Circuit, State of Hawaii by Michael H. Lau


Notary Public, State of Hawaii
JENNIFER LEE



Printed Name of Notary Public

My commission expires: **AUG 25 2012**

CERTIFICATE OF SERVICE

I hereby certify that on this date, copies of the foregoing document were duly served on the following party, by having said copies delivered as set forth below:

DEPARTMENT OF COMMERCE and CONSUMER AFFAIRS
Division of Consumer Advocacy
335 Merchant Street
Room 326
Honolulu, Hawaii 96813

3 copies
Hand Delivered

Dated: Honolulu, Hawaii, June 29, 2009.



MICHAEL H. LAU
YVONNE Y. IZU
SANDRA L. WILHIDE

Morihara Lau & Fong LLP
Attorneys for Applicant
MOLOKAI PUBLIC UTILITIES, INC.